

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee February 18, 2020

HALLORAN: Welcome to the Agricultural Committee. I'm Senator Steve Halloran. I'm from Hastings, Nebraska, and represents the 33rd District. I serve as Chair of the committee. The committee will take up the bills in the order posted on the agenda. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. Committee members might come and go during the hearing. This is just part of the process as we have bills to introduce in other committees. I ask that you abide by the following procedures to better facilitate today's proceedings. Please silence or turn off your cell phones. Please move to the reserved chairs when you're ready to testify. These are the chairs on either side-- either side of the testimony position and with this hearing, I'm going to alternate pro-- proponents, do three proponents, three opponents, back to three proponents back and forth. So we have some interaction in regard to the testimony. First, before we go there, how many here for LB160-- LB1165 are proponents. OK. Keep them up so I can kind of get a-- LB1165 proponent's. How many are here for proponent's? How many here for opponents for LB1165? Opponents, yeah. Neutral. OK. So if we could do that, if we could have it on your left side, be the proponents on your side, be the proponents as you come up. Please keep those seats populated so that we can keep it moving along. Introducers will make initial statement followed by proponents, opponents and neutral testimony. Closing remarks are reserved for the introductory senator only. If you are planning to testify, please pick up a green sign-in sheet-- sheet that is on the table at the back of the room. Please fill out the green sheet before you testify. Please print, and it is important to complete the form in its entirety. When it is your turn to testify, give the sign-in sheet to the page or the committee clerk. This will help us make a more accurate public record. If you do not wish to testify today, but would like to record your name as being present at the hearing, there is a separate white sheet on the tables that you can sign for that purpose. This will be a part of the official record of the hearing. If you have handouts, please make sure you have 12 copies and give them to the page when you come up to testify and they will distribute those copies to the committee. If you do not have enough copies, the page will make sufficient copies for you. When you come up to testify, please speak clearly into the microphone. Tell us your name and please spell your first and last name to ensure we get an accurate record. We'll be using the light system for all testifiers today. You will have four minutes to make

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your initial remarks to the committee. When you see the yellow light come on, that means you have one minute remaining. And the red light indicates your time has ended. Questions from the committee may follow, which could extend-- possibly extend your time. No displays of support or opposition to the bill, vocal or otherwise, are allowed at the public hearing. Committee members with us today will introduce themselves starting on my far left.

MOSER: I am Mike Moser. I represent District 22. It's Platte County, Colfax County and a little bit of Stanton County.

SLAMA: Julie Slama, District 1, Otoe, Nemaha, Johnson, Pawnee and Richardson Counties.

BLOOD: Good afternoon. I'm Senator Carol Blood, and I'm from District 3 which is western Bellevue and southeastern Papillion, Nebraska.

HALLORAN: On my far right.

B. HANSEN: Senator Ben Hansen, District 16, Washington, Burt and Cuming Counties.

BRANDT: Tom Brandt, District 32, Fillmore, Thayer, Jefferson, Saline and southwestern Lancaster.

HALLORAN: Thank you, everyone, and sorry for the feedback on the microphone. To my right is committee research analyst Rick Leonard, and to my left back here at the table is the committee clerk, Rod Krogh. Our page for the committee is Veronica Miller. She's a junior at UNL with a major in political science and Spanish. Joining her is Ashlee McGill, political science senior at the University of Nebraska at Lincoln. So with that, we will start with the gubernatorial appointment to the Fair Board-- State Fair Board, and that will be Beth Smith. We're sure happy to have you here, Ms. Smith. Ms. Smith, so it's up to you.

BETH SMITH: Thank you, Chairman. I just have a short statement to read. Again, it's Beth Smith. Good afternoon. Thank you so much for inviting us here today. I'm Beth Smith, the current Lincoln representative on the State Fair Board. I'm delighted to accept the Governor's invitation to serve a second three-year term on the board. During my first term, I had a lot to learn. I saw the fair operate under two different directors during a perfect week of weather and maybe during one of the worst rain weeks in Hall County history. I

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felt if I was going to accept a second term, I needed to dig in deeper and take on a larger role to address the issues affecting the fair. I was elected Chair at the annual meeting of the Fair last Friday in Lincoln, along with our other new executive team members, Vice Chair Dawn Caldwell of Clay County, Secretary Bob Haag of Indianola and Boyd Strobe, our new treasurer, an attorney from O'Neill. We are all eager to focus on accountability, transparency, relationships and integrity at the fair. The budget is our top priority. It's the responsibility of the board to ensure that the State Fair's financial records are accurate and complete. We want accountability. This Friday, I will be in Grand Island meeting our former CFO to retrieve files that were missing. He, too, wants the fair's financial records to be complete. We are determined to get to the bottom of any financial questions and we want to closely monitor the fair finances this year. The fair could not exist without the lottery money we receive. We are more than grateful for this critical funding. Because we accept this funding, we do have open meetings. The majority of the Fair Board supports compliance with Nebraska Open Meetings Act. We will strive to be as open and honest as possible. We also realize the fair is so much bigger than the staff and board. There are countless constituency groups that make the fair possible. Fonner Park, the 1868 Foundation, the unbelievable volunteers, longtime vendors, generous sponsors, community leaders in Grand Island and central Nebraska. Our ongoing relationship with these key groups is critical. If they've doubted us, I want them to know that we'll do whatever we can to regain their trust. I know the entire State Fair Board has the best interests of the fair at heart. We want to learn from our mistakes and grow in our strengths to make the 2020 fair a great success. I sat in a meeting last week, I think the State Fair is a Nebraska treasure. It's one of those unique Nebraska experiences that unites the entire state. No matter how old you are, what county you're from, everyone is welcome at the fair. It's a one of a kind entertainment venue for all Nebraskans. It is Nebraska's fair. Our ag big-- our ag-based focus highlights the best of Nebraska. Our deep connection with 4-H and FFA continues to be one of the most valued parts of the week. The facilities remain some of the finest in the country. The concerts, carnival vendors, high school bands, livestock, equine events, the birthing pavilion, milking parlor, long with all the great fair food, keep Nebraskans coming back year after year. We celebrated 150 years last year. As board members were here to make the decisions and take

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the actions that will ensure the long-- longevity of the great Nebraska State Fair. Thank you.

HALLORAN: Thank you, Ms. Smith. I've got to say, I spent 10 days at the State Fair this last-- this last State Fair and while it was eventful at times regarding the weather, it was-- I found it under the circumstances a very smoothly run operation. And I was quite impressed, quite honestly, with the busing transportation that they quickly put together to accommodate the rainy weather. With that, I'm going to open it up to questions from the committee. Committee members have questions for Ms. Smith? Seeing none, thank you so much.

BETH SMITH: Thank you.

HALLORAN: Are there proponents for the confirmation of Ms. Smith to the State Fair Board? Proponents. Are there any opponents to this confirmation? Any in the neutral capacity? Seeing none, we will move on. We have scheduled today, in addition to this confirmation, we have scheduled today a briefing from the State Fair Board and executive director. There has been media attention to the losses the State Fair Board has incurred over the past two years. I met with Chris Kircher shortly before the session to get more insight into the Fair Board's financial position. What budget and programing interventions the Fair Board was implementing to maintain the solvency of the fair and how that might impact programming going forward. Mr. Kircher agreed to come back and present to the committee the Fair Board's actions as a-- have occurred both before and since our meeting. I also wanted to provide this opportunity on the same day of Beth Smith's confirmation hearing to provide a more appropriate forum for any questions about the fair. This will not be a public hearing where we take testimony from the general public. This is an informational briefing only, although the public and press obviously are welcome to attend. Because we have a heavy schedule today, I would like to allocate half an hour for this part of our agenda today. And with that, I think we have Chris Kircher and Lori Cox. If you will come forward and see if we can't share a position there in front of the microphone.

CHRIS KIRCHER: Thank you so much, Senator Halloran. Do I need to state my name and spelling?

HALLORAN: If you would and spell your name.

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CHRIS KIRCHER: Sure. It's Chris, C-h-r-i-s, Kircher, K-i-r-c-h-e-r. I'm State Fair Board representative from Omaha, Governor appointee.

LORI COX: And I'm Lori Cox, L-o-r-i C-o-x, Grand Island. I'm the executive director for Nebraska State Fair.

CHRIS KIRCHER: We very much value the time you are allowing us to have to talk about what's going on at the fair. There have been a lot of headlines out there that sometimes raise questions. I think there are some misperceptions out there about what the actual facts are that we have an opportunity to talk about. And I think it's also an opportunity to share with you some of the things we're very excited about this year. The weather in the past two years has not been exactly the kind that's conducive to an outdoor State Fair. And it's certainly presented some challenges over the last couple of years. But we've learned from those experiences. We've taken that thinking into account moving forward. And we are very confident about the kind of fair we can have, even if the weather is not as favorable, but I sure hope it is. Lori, do you want to talk about what we've done?

LORI COX: You bet. So if it's all right, Senator Halloran, can address some of the questions that you had in your kind letter that you sent to Chris, if that's OK to start there.

HALLORAN: That would be fine. Thank you.

LORI COX: OK. So one of the things that you had inquired about was certainly the cash flow analysis, and I was so glad that you did, because one of the things the State Fair had not traditionally been doing was a cash flow analysis and that was something that was a good piece to add to our foray. We actually provided that to our lending partners when we entered into the agreement of a LOC, so that line of credit to help us sustain through these winter months upon the next lottery payment. During that time, we started to work closely with those lender-- lenders chiefed by Five Points Bank, our primary bank there in Grand Island, and worked closely with them on what that cash flow looked like from their stance-- standpoint and I do have copies at the end for all of you. I'm pleased to report that as of our financial presentation at the end of January, which we just presented in financials last Friday, that for the start of 2020, our financial picture is very solid. We actually showed a net positive without the lottery funds incorporated into that. It's not much, but it's showing that we're moving in the right direction. A few of the things that we

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did during the reframing of our 2020 budget. One of the things that was important to me is to really understand where we were at on expenses and revenues. And I think it's important for the committee to-- to know that throughout the conversations with our finance team, we probably lacked in communication with them as we should and I take full responsibility for that. Being busy in this role and working through some other factors that the board had me work through, which was running the marketing and sponsorship programs also led me to believe that our finances were where they should be and when I asked about that was confirmed on a regular basis. Through that process, one of the things that you had asked about is what does the financial picture coming into the 2019 State Fair-- what did it look like? And a couple things that we had movement on, I think it's important for you to know on the capital budget side is that this board felt strongly about investing in the fair going forward and spent about 400,000 in 2018 on capital infrastructure as well as in 2019 an additional 531,000. In hindsight, with the weather, had we known what we know today, we might have collectively as a team made a different decision about that. In a typical weather year where you might have a day or two of rain at this particular State Fair, that's pretty common. You could sustain that kind of expense, but when you're suffering from seven inches of rain in an entire week of the fair, not to mention the 12 inches collective for Grand Island that we incur-- encompassed, it was just too much. With folks not coming even though we had good revenues coming into the fair, and I say that because we actually broke the carnival sales record this year. People are always astonished about that. But the reason that that happened was because our marketing programming was very astute going in. We give much credit to that-- the agency, Swanson Russell, coming in with their strategies here in Lincoln. And because of that, we had the highest all-time presales, both on gate admissions as well as our carnival wristbands. And so we knew they were coming and then it began to rain. Also moving forward, I mentioned that lack of communication from our internal finance team. Our department heads now, with me, meet weekly in a roundtable series. We just had one this morning and we're talking about all sorts of things related to the budget that we have set forth for 2020, as well as what's happening within each department so that they have accountability built-- built in to each one of those areas. The best way I can explain it for all of you in a layman's term is printing. And if 16 different areas of the fair have printing and they do and no one's talking to each other, then the printing budget goes sideways, and that's my responsibility to make sure we pull that back

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in. A couple other things on budgeting for 2020. In the past, we've always counted on 11 days of revenue and we're feeling now that a more conservative approach would be much better and much more fiscal-- fiscally responsible. So for the 2020 budget, we have budgeted just six days of revenue with all of the expenses intact as planned to run a fair versus all eleven days. So we're basically counting on five days for something else to go wrong where people don't come to the gates. In addition, on the budget, we've reduced expenses, including our fixed costs. We've reduced our full-time personnel by about half a million dollars. And other target reductions include person-- professional service contracts. National artists costs, we've changed our agency who we book our concerts through, and it's always a battleground, I will tell you. If anyone sits in this chair in the executive director position and says that they love concerts, I will tell you you will have a hard time finding them because they're very difficult to manage, but when they come in, getting that overhead down was critically important. We reduced our spend on our national artists thanks to the help of this solid agency by 500,000 going into 2020, and further for budgeting cost sharing between departments. And finally defining Nebraska lottery funds to a sole purpose. In the past then lottery funds have just come in and been part of the general operating pool. We believe going forward that that funding source should move toward an alignment towards, say, customer amenities where we can watch it more closely and have a more purposeful vision for use of that money. So it's really good for the lottery in a sense, because they are able to say, you know what? We provided all those shuttles for the rainy year and we provided that bench seating for our seniors and we provided that shade that you enjoyed on a hot summer afternoon. So being able to start to identify what the purpose is truly for that funding can also help us begin to set up a reserve account where our hope is that we can get more closely tied to an enterprise status, being able to continue to move those those funds toward our customers and really the service role of-- of that experience. You asked about a description of programing impacts and a lot of folks are worried about that. You know, 2019 was an anomaly for our concerts because of the 150th fair aberration is what we called it. And we had twelve shows in eleven days. We'll return more to a normal heartbeat on that with-- typically we have seven shows. We'll have eight shows, it looks like booked in from our country concerts, which has already gone on sale and is doing well to other opportunities for families and a variety of folks to enjoy that music in the Heartland Event Center. In addition, with site considerations to reduce weather impacts, when you had asked

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that question, I have to smile because our seat-- new CEO that we deal with, Chris Kotulak over at Fonner Park is an absolute bright spot, at least for me and I think for the board too. His emergence on to the scene as the Fonner Park CEO back last-- early last summer has really changed a life for me. We have a good relationship. We work together closely and one of those things that we are talking about is drainage and what that might look for the long haul. It's very expensive, just like paving is, but it's something that must be considered. And is it a grant process or some other means that gets us there? Those are the kinds of things that now come to the forefront in helping reduce the precipitation gains that we seem to suffer through there. It's no surprise that Grand Island is running at sef-- a seven foot watertable and this year it ran at four feet. So it's-- it's been pretty saturated. So those are the responses to those particular areas that you were asking for, Senator. And we're just really excited about the 2020 fair. There's a lot of things that we have in the works. But on the agriculture front, which is my passion and will remain so for, I'm sure for the rest of my life, a few things that we're really, really focused on. And that's getting the Nebraska State Fair back to its mission of ag education, really getting our wonderful guests an experience of what it is to touch, feel, see, smell, all things agriculture while there. We've talked about expansions of the birthing pavilion and what that might look like. We have a first in the nation welding camp coming to Nebraska State Fair to help tackle the trade-- trade work initiatives and certainly working closely with Chamber of Commerce's on that opportunity for students to see trade school in welding and maybe some other fields as an opportunity. We feel a responsibility to get in on that. We also have other things across ag, including an director position open right now for Ag Director, which it concentrates half of that time dedicated to purely ag education and moving that forward, and the other half to our exhibiter experience for both equine and livestock. We have the finest facilities in the country for livestock. That's not going to last much longer, however. Denver is coming online in probably a too short-year time, and we know Kansas City is right behind them. The work we do now is imperative and critical to what we have as opportunities for our future here in Nebraska, and we're just really pleased that you are partnering with us on what that might look like. Thank you.

CHRIS KIRCHER: I-- I-- thank you, Lori. I, Senator, when you and I spoke, I talked about-- a little bit about some-- some of the misperceptions that are out there. They can range from everything like

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the board members, you're making too much money, which we all know we're doing on a volunteer basis, to-- I don't know some of the other rumors. We've-- we've tried to address some of those on our website through a Q&A to try to be as transparent as we can about some of these rumors that get flying around when-- when different headlines come about. We also-- I think Beth is committed to maintaining a high level of transparency, a commitment to good corporate governance. There's a lawsuit out there right now that prevents us from talking about some of the issues related to it more directly, but one thing I'll say is we-- this board is real, is very committed to corporate governance. We continue to always look at opportunities to either change, strengthen, improve our-- our-- our ability to be-- be a well-governed board right now. We're working-- we've asked our attorney to take another look at our bylaws and make sure that they're clear and-- and-- and-- and reflect best practices within this industry and within other organizations. So it's very important to us and it's an ongoing effort. I don't know, Beth, if there's anything you want to add to that or not.

BETH SMITH: No, I want to continue along those lines.

CHRIS KIRCHER: But, you know, as the weather was a challenge, we really believe that we've put in place the kinds of initiatives that will prevent it from doing so much to our revenue base as it did last year. It's remarkable to us, I think. We had a lot of good program factors in place, as evidenced by the fact that the carnival sales were higher than ever before and yet our gate admissions relied on, what, seven out of eleven days, people getting to our front gate by bus. So the numbers are clearly going to be impacted in a situation like that. And yet those who did come, they had a great time. And we don't intend to sacrifice any of the quality type of entertainment you've seen in the past and had in the past. The change to the new promotor on concerts has enabled us to attract the top kind of top talent that we've announced so far at a much lower cost. So I think from the average fairgoers standpoint, they're not going to see any difference. They're just going to see a better result financially at the end of the fair next year.

HALLORAN: OK. Thank you, Mr. Kircher, Ms. Cox. We had a chance to visit earlier. I'd like to give the committee a chance to have that interaction a little bit if they have some questions. Senator Blood.

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BLOOD: Thank you, Chairman Halloran, and thank you for coming today. I listened and I'm not sure I'm hearing this answer and maybe I missed it. Part of the letter they were specifically asking on your perspective on open meetings and public records violations that were alleged in that lawsuit from Legacy Communications.

CHRIS KIRCHER: Yes.

BLOOD: Could you address that, please?

CHRIS KIRCHER: That's-- that's sort of what I was refer-- referencing without going into detail since it's in litigation. But, you know, we understand the criticality of the Open Meetings Act and the need for compliance, and we are committed to-- to that long term.

BLOOD: So are you saying that you didn't understand that need before? That's where I'm a little confused or was it confusion that--

CHRIS KIRCHER: No, I say-- I would say we've-- you mean historically, have we been, yes. Yes. And it's-- it's hard to-- it's hard to share more fact with you right now because of the litigation going on, but we believe the outcome will-- will help answer that question.

BLOOD: What is your personal perspective?

CHRIS KIRCHER: I think it's critical. I serve on a number of boards, as does my spouse, and I think that you have to be-- you have to be committed to it.

BLOOD: Thank you.

CHRIS KIRCHER: Yes.

HALLORAN: Senator Blood. Yes, Senator Brandt.

BRANDT: Let's try this. Thank you, Chairman Halloran. Thank you, Mr. Kircher and Ms. Cox, for coming today. I like the State Fair. I think we've done a good job. I think it's necessary for the state of Nebraska. It's a crown jewel in the fact that the more urban people can be exposed to agriculture. It's quite often their only exposure to walking through the cattle barn or the sheep barn or the hog barn or the 4-H exhibits. That being said of-- do you have a feeling for what percent of the people that attend the fair are from Omaha, Lincoln or out-of-state from urban-- urban settings?

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LORI COX: Thank you, Senator, for a very good question. We have a tight zip code tracking as well as ticket buying tracking system that we rely on for answers to those kinds of things. When I came on board, we were running about 12 percent from Lancaster to Sarpy Counties, really encompassing all of Lincoln and Omaha. We moved that needle to 16 percent in my first year and we're at 18 percent after even all the rain on 2019, so we feel real positive about the numbers going in the right direction. Lots of work to do on that, but part of it is we-- we battle in Omaha just a little bit with our buddy to the east of us at Iowa State Fair who outguns us a little on the dollar sign. So we have some other tactics we plan to continue to deploy since we are moving the needle in the right direction.

BRANDT: All right. Thank you.

HALLORAN: Thank you. Any further questions? Senator Ben Hansen.

B. HANSEN: Has this thing been working? OK. All right. I appreciate you guys coming and explaining a few things. Like you said, maybe clearing some misconception and some rumors that have been going around lately. Questions, maybe a couple of comments first. I appreciate the fact that you mentioned working with local Chambers of Commerce. I think you were talking about a crucial aspect of trying to get the word out in a cheap way and having somebody else do the advertising for you. I think that is huge. I was on a board for our local Chamber of Commerce and we try to promote many things along the same lines as fairs. And I think that's a-- I appreciate you kind of mentioning that and kind of a way to kind of get out in those other communities. Couple of things if you could mention. I know you're working with a new company. Is it Nest?

LORI COX: Neste.

B. HANSEN: Neste Live! that has to do with more of the promotions for us from the concerts. How's that going so far? And then what kind of trials and tribulations are you seeing right now with having a venue that can only fit about 5,000 people as opposed to a big giant stadium that can-- how is Def Leppard, which would be awesome if you--

LORI COX: You know, it's funny. I have colleagues all across the country regarding the larger venue. And, you know, Jerry Iverson ran the North Dakota State Fair for 30 years and it took him all 30 to get that big, beautiful grandstand built, thanks to his state Legislature.

And that changed their-- their whole game plan when that happened. I'm not advocating that that's the way we need to go because of a couple of things. While we have considered an amphitheater with larger volume, one of the things that is troubling to me about the marketplace with concerts is this-- is the pure saturation. In the last 30 days we just saw a report that of two big shows in Omaha and a big show coming in Lincoln, all in March, are running fire sales already on those tickets. We also know it was tough for a big concert that came in October for Omaha, which should have sold out in minutes and the same thing happened where they drop those prices and try to sell those tickets. That just tells me as a-- as a part of this crazy business that we are so oversaturated and with the combination of commodity prices still tough, tough, tough, and I think probably general economy still wary about maybe their entertainment dollar and the lack thereof, we have a triple whammy going on in the concert industry. So there is-- there are some State Fairs across this country that are certainly dropping their concerts altogether. We all recognize they get the most buzz and the most PR, but at what point to the overhead? If you don't have a facility that seats 10,000 plus, it makes it really difficult. Our seats about 5,100 and once I kill the seats that are necessary for comps and sponsors and those things, we're selling about 4,800 max capacity. And, you know, I always think about when my dad was alive and farming, he had this time in his life where he was at about 2,400 acres of wheat country and knew that if he was going to be sustainable, he had to be at 5,000. It was just the name of the game. You guys know. And we're at that point, we're not sustainable for what the market is charging for these concerts at that size of a house. So we're at a bit of a crossroads in strategy on what to do next.

B. HANSEN: OK. One other thing. I appreciate your comment-- comment the best you can on the previous lit-- or current litigation you guys are having right now with Open Meetings Act stuff. Can you comment also on something that's currently been in the news about hard drives that got wiped out for financial officers. Any comment you can make on that at all by chance?

CHRIS KIRCHER: Yes. That was a challenge we became aware of internally after the lawsuit was filed. So we-- we had some-- we had some things that we had to kind of look into before we could announce anything and that's why we brought it up at the-- in the interest of disclosure. We-- we presented what our findings were at the last board meeting, which was a week-- well, which was Friday. Essentially, what we found

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is as-- as we went through and took a look at our finances with the rap-- abrupt departure of our CFO, we had to kind of get in and take a look at what-- what that meant. Eventually, we found that prior to leaving, he had wiped his computer clean. And so at the advice-- we informed our legal counsel at that point in time. And we started looking into what was it-- what was it that was gone. Right? What was it that was missing? And there's one-- we hit-- we were able to get most of the financial information in order. You might-- you might want to talk about this, Lori, because you were closer to it than I was, but there was a category in there that I would call an expense category that was sort of a catchall that the number seemed a little bit large on. Now, we're not saying there's any improprieties here, we don't know. Right? We-- and without the information, it's very difficult to know specifically what that chunk of money is comprised of. So we have embarked on a forensic audit of-- of the information to try to get our arms around why those charges in that bucket are as high as they are. And that's what we're in the process of engaging in right now. You know, again, I don't think we can sit here and say there were any improprieties, but we need to know what those charges were in order to make sure that we take the proper course of action going forward.

B. HANSEN: Thank you. Appreciate it. Thank you.

CHRIS KIRCHER: Yeah.

HALLORAN: Any further questions? Senator Moser.

MOSER: Have you tried to forensically reconstitute those hard drives to see if you can find what was erased, because sometimes when you erase a drive, it just erases the file allocation table and then you can actually get in and harvest the data that's there.

CHRIS KIRCHER: That's sort of a parallel work stream, right?

LORI COX: It is. We did go to our IT company that serviced that first opportunity and could not recover any of the data that might have been there. But that-- that's as far as we've gotten so far. The next-- next step is, as Chris is just describing, is going into a forensic review.

MOSER: OK. Thank you.

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BETH SMITH: You mind if I add something.

CHRIS KIRCHER: Yeah, sure.

LORI COX: Please.

BETH SMITH: I've been in touch--

HALLORAN: For the record, so we're on the mike. And please reintroduce yourself.

BETH SMITH: Sure. This is Beth Smith, new Chair of the State Fair Board. I've been in touch after the Fair Board meeting on Friday, the former CFO reached out to me and said he's willing to retrieve those files and he knows how to get to them. I'm meeting him at the Fair Board Office on Friday, so we'll get those files back.

MOSER: OK. All right. Thank you very much.

HALLORAN: Any further questions from the committee? We've about reached our allotted time, so with no further questions, I would like to thank you all for being here, Mr. Kircher, Ms. Cox, Ms. Smith, so we look forward to the next State Fair.

LORI COX: Thank you.

CHRIS KIRCHER: We look forward to seeing you. Thank you.

HALLORAN: Moving on, we have two bills today being introduced. They deal with a similar subject matter and the first bill will be LB1165, which is introduced by Senator John Stinner. Welcome, Senator Stinner.

_____ : Senator.

HALLORAN: Yes.

_____ : You want the pros on the outside and opposes on this side or--

HALLORAN: Which are you?

_____ : Opposed.

HALLORAN: Oh, OK. So we're gonna have the opposed over there so you don't have to move. On your right as you come up-- as you come up on

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the right will be opposed. On your left, as you come up, will be proponents. OK. Welcome, Senator Stinner.

STINNER: Welcome. Good afternoon, Senator Halloran, and members of the Agricultural Committee. For the record, my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r, and I represent District 48, which is all of Scotts Bluff County. I first want to start by making a statement. I don't represent the Cattlemen. I don't represent the Farm Bureau. I don't represent feedlots. I don't represent ranchers. I don't represent sale barns. I don't represent anybody but myself as Chair of Appropriations. I just want to make that abundantly clear on-- on the record, because I think there's some confusion about me and this bill. I want to also state that since I started six years ago, I've heard the mantra from the Governor, from certainly some of the members of my committee, stay within your means. Stay within your means. That means that when you have revenue computed, expenses have to at least match it, has to be sustainable. And one of the things I also heard was no increase in taxes, no increase in fees. So with that in mind is why I'm sitting here with this bill today. The one thing that I think that [RECORDER MALFUNCTION] and my responsibility as Chairman of Appropriations is to take a look, line by line, at every budget to make sure that we're spending money within the statutes and that the agency and commission is fiscally sound. Fiscally sound. And that's another reason I'm here today. I can-- I can work through a chronology, which I think I will, but I'm going to first introduce the bill and what it does. LB1165 would modernize the Livestock Brand Act to protect and promote Nebraska's agricultural industry, which includes beef and livestock production. The bill retains cattle producers right to own and use registered brands, but eliminates the competitive disadvantage impacting cattle producers by removing the brand inspection requirement and associated fees that are costing a segment of Nebraska's cattle industry millions of dollars in fees annually, with apparently no real result-- resulting value. That is to be determined, what the value is. LB1165 addresses the unsustainability of the Brand Committee, where expenditures exceed revenue by approximately \$500,000 less, eventually extinguishing the cash reserve. I want to emphasize this bill retains and protects branding, including registration and renewal. Branding is still an important part of how many-- how many of the producers identify cattle and as an intricate part of our history as cattle producing state, LB1165 protects that right by moving administration and-- of registration and renewal to the Department of Agriculture. I want to

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go through a little bit of the chronology so I can let the committee understand what we've been through with the-- with the Branding Committee. In 2015, which was one of the first years I was here and I voted for LB85, it passes. It increases the brand inspection fee from 75 cents to \$1.10. That's 2015. OK, then as we go down through this-- in the summer of 2016 an audit was-- was highly critical. The agency's practices and the brand director and deputy director resigned in 2016, a budget request for '17 through '19 biennium. And they have to-- have to have that budget request in by September and include a request for 216,000 for automation project and 739,000 for additional twelve FTEs. A new director is hired in January of 17. June of 2017, Brand Committee budget is finalized, including additional 216,000 in funding for automation projects. So we granted their request for that. Additional funding of staff was not improve-- was not approved based on the number of vacant positions. So we went through a vacancy report. They had vacant positions, but they still want to hire 12 more. I thought as long-- as long as they had vacant positions, let's fill those first and then come back with the 12 requests. And obviously, the committee agreed with me. August 2017, director resigns and acting director is appointed with the new agency. Fall of 2018, agency submits a \$510,000 deficit budget request for '18,'19, including 435,000 for staffing expenses relating to the hiring of five FTE staff, 75,000 for the payment of comp time. However, when we really look behind the numbers with subsequent discussion with the agency, it is determined 228,000 of that request needs to be identified as payment to Nebraska interacted for automation project costs. So that's a capital cost. Fall of 2018, the agency submits a budget request. For '19 and '21 biennium, including 310,000 for four full-time FTEs to handle supervision and IT automation functions. That's an ongoing cost. 280,000 for automation, implementation and tech hardware, 44,000 for agency uniforms, 371,000 for five FTE field inspectors to alleviate overtime and comp time. February of 2019, the agency states in the budget hearing that it has moved forward with automation and staffing plans, and the costs exceed the '18,'19 spending authority. It also notes that moving forward with Electronic Identification Program of planning. March, 2019, LB660, is signed by the Governor creating a chief investigative off-- a position. That's \$120,000 of additional cost. I did not vote on that bill. I talked to Senator Brewer. I was unprepared to really enter into that discussion in terms of fiscal management. June 2019, brand budget. A committee budget is finalized and the deficit request is granted. So we brought their deficit of 510,000 up to 5,793,000. Now be mindful that they're

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bringing in about five million to five million two. So I'm-- I'm okay with that up till the point where the budget is-- they spent a million sixty in automation costs. That's a onetime cost. I'm okay with that, but when we started to analyze the next request, which was \$6.1 million, including FTE and ongoing expenses, that's where I took a look and said, hey, you got this automation, we should see it go back down to a normal budget situation that sustains the agency. But '19 and '21 biennium, 510,000 was added to the budget '19 and '20. So we added for two years, 510,000. Take care of all of this extra cost associated with automation. However, we didn't increase their request and put it back down to a normal-sized request, which was five million two for 2021. So we give them the bulge, and the money, we pay for that, we bring it back down. With the anticipation that the agency will crest deficit funding and report on the status of the automation project. The intent language that we put in the budget, the intent of the Legislature that the Nebraska band-- Brand Committee shall prioritize a, number one, successful completion electronic brand document and reporting system project and, two, the sustainable use of cash fund revenues provided by existing statutory fee structure. So we had to establish that we're sustainable under the current fee structure. So I will pass-- I did pass out these scenarios and I'll go through that in a minute, but I do want to say LR212, which you-- which the Agricultural Committee participated in was designed to, first of all, find out where they're at in terms of automation, what their business plan was forward, and how they were going to sustain with the fees that they're charging today. Obviously, you all heard there was no plan. So that brings me to this. And we put this together, we, meaning the Fiscal Office, Jeanne Glenn put it together. And I just want you to go through this so you don't-- so you can really see what I'm talking about when I talk about sustainability. Scenario one. So you've got assumptions at the top, but you start with two million two, that's in their reserve at the beginning of '19 to '20. Estimated revenues, 5.3 million. We gave them a break. Probably a million two-- or a 100,000 too high. 5.7 is the appropriated amount that they can spend and they will spend. That'll drop the budget balance-- or the cash fund balance to a million seven. If you follow through and we do grant in '20, '21 to go up to that 5.7 million, which is the 407-plus 5.3, the budget-- the cash balance drops to a million two fifty. Then it goes to a million, then to eight-- eight fifty one. And as you saw on the back, it goes to a negative within two years after that, not sustainable. Scenario two. So we said, okay, put the buck ten in there, raise it all the way up, let's see how far

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we can get with the request that you have. Now, I'm not using 6.1 that they've asked for. I'm using what we had granted. They don't have any additional FTEs and you can see the balance drops down to 232,000. Best case scenario. That was put together by Fiscal. We have run that by the commission and the committee several times. We cannot get an answer, yes or no. So all of this, being a frustrating experience, caused me to say, what-- what can we do here? What makes sense? And so when you start to pull this thing apart, you know, you've got different-- different constituencies in this. Your one constituency is local. County inspections, that's 26 percent plus travel costs probably are mostly there. So that's 4 percent, almost 30 percent of their annual in-- total inspection fees go to that-- that constituency. Now, the sale barns are a million four, ninety five. That's what they remit to the commission. Packing plants, 563 and 979,000 for the feedlots. You take any of these apart and it doesn't work even worse. But interestingly, band-- brand recording fees, \$505,000 of that comes in on an annual basis. And what I was able to determine was 81,951 was the associated costs. So that stands on its own. It helps subsidize if we move it over to Ag. It actually has some excess. And the excess and the thing that I cannot measure, and I don't know the answer and the committee needs to get a good grip on this is, is this a deterrent? Is this a deterrent in the cattle side of things? The second thing is that I don't want to do is to have any unfunded mandates. In other words, pushing this back off into the local sheriffs. I don't want that to happen. We've got a little bit of excess coming out of branding that might make some sense to hold some of that in. This bill is actually set up to be an add-on bill. So we go to Texas and I look at Texas. Texas got big pastures. They have voluntary inspection. If you want it, you pay for it. They also have inspections at the sale barn. So we move north, we go to Oklahoma. Don't have it. Don't have inspections. We go to Kansas. Don't have it. Now we go to North and South Dakota, half their state is similar to ours. The river runs through it. To the west is branding, to the east is not. So you got some of that going on. But those are the-- those are the things that we have to measure. We have to measure deterrent. We have to measure making sure we don't, but we also need to get this within the confines of the fee structure that they have today. And I'm not sure I have the answer to that. The answer might be just as-- as I put it, just move it over to the Department of Ag with branding being registered and see what happens. I-- you know that's for the committee's determination. I am open. I am very much open to any kind of suggestions, any kind of amendment that would make sense. But I'm

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still kind of rely on the fact that there is no increase in fees, there's no increase in taxes, stay within your means. And that is where I'm at with this particular bill. And as Chair of Appropriations, that's where I'm at with just about every agency and commission-- committee that comes to me.

HALLORAN: OK. Thank you so much, Senator Stinner. Questions from the committee? He's the Chair of Appropriations, are there questions from this-- Yes.

BRANDT: Thank you, Chairman Halloran. Thank you, Chairman of Appropriations, Stinner. So they're starting with \$2.2 million coming in.

STINNER: That's in the cash fund now. So when we've granted the fee increase, they built the cash bond in anticipation to-- rightfully so, we're going to upgrade. We're going to-- we're going to automate. And so that was the funding and we supported it from the Appropriations side. We gave them the automation. A million sixty is what we could determine they spent on automation. The question is now they've laid in this operating expenses that far exceed their ability to generate fees.

BRANDT: You think we've given the automation enough chance to show a rate of return?

STINNER: Based on what they're asking for, 6.1 million to make this committee-- commission work, and you're only bringing in five million, it goes down really fast if we granted that. At 5.7 they're still with that 12 FTE's that they think they need to have. There's still a lot of questions out there. You're correct in your assumption that it takes time for automation to work. There's training. There is all kinds of things, plus connectivity. You know, you get out in some of these places in the Sandhills, that iPad isn't going to connect. So there's some of that also. I don't have answers for any of that, but they do have some room here. I guess my position is going to be that within the fee structure they have, which is \$1.10 they could go to, somewhere along the line, they have to fit this puzzle together from the expense side.

BRANDT: All right. Thank you.

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HALLORAN: OK, thank you, Senator Brandt. Any further questions?
Senator Moser.

MOSER: Did you check with other states to see if they've automated their brand inspection system?

STINNER: Not that part. I just tried to find out, and there'll be some people testifying in back of me might be able to answer that. We've got-- I think we'll have-- I'm pretty sure we're going to have ranchers. We've got some feedlot people. I think you will hear from packing plants. I don't know if anybody's here from the sale barn side of things, but I did get a few emails that I-- I think we can share with you, or else they will share with you, and maybe be able to answer that. But all I was trying to do is say, what's your setup? How do you do it? And which are problems that you had? And, you know, basically-- oh, to be fair, in this, Oklahoma is trying to take a look to see if they need to reinstitute inspections, but they're just looking right now into research.

MOSER: Wouldn't the objective of automating all this is to make it easier and save money?

STINNER: That's what-- that's my contention. So they put together this pile of money. We granted them the permission from the Appropriations to spend a million sixty, operating costs should have gone down. But as many times in automation, they actually-- you don't realize that savings. So far it hasn't showed up.

MOSER: So at what point do you-- you change direction and do something else?

STINNER: Well, that's what I'm trying to do, is change direction or at least put that thought process in place. If you're not sustainable within the fee structure, you know, what do you do? Well, you cut costs. If I can't cut cost, or won't cut cost--

MOSER: OK.

STINNER: --you know what happens then.

MOSER: Thank you.

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HALLORAN: OK. Thank you, Senator Moser. Any further questions from the committee? All right. Seeing none, thank you, Senator Stinner.

STINNER: Thank you.

HALLORAN: I'm going to remind everyone that we're gonna have a four-minute limit, but that doesn't mean that will be the limit to how much time you'll have. There will be questions, I'm sure. Before we start with the proponent and opponent, could I see a hand-- show of hands other than those sitting in the front row who would want to wish-- or wish to testify as a proponent? One, two. OK. Who would wish to testify in opposition? OK. All right. Start with proponents, we'll do three and three. Those that want to testify, either proponent or opponent, please populate the front chairs as they move down. Good afternoon. Welcome.

JACK LAWLESS: Good afternoon, Chairman Halloran, members of the Agriculture Committee. My name is Jack Lawless, J-a-c-k L-a-w-l-e-s-s. If I seem a little nervous, it's because I didn't realize these guys were all going to be here. I am the feedyard general manager for Gottsch Livestock Feeders. I live in Aurora, Nebraska. I work out of Hastings, Nebraska, so I would be a constituent-- constituent of Senator, or Chairman Halloran's. I want to thank the committee for this opportunity to share my strong support this afternoon for Senator Stinner's bill, LB1165. I'm also here today representing the Nebraska Beef Producers. This is a col-- coalition made up of Nebraska cattle producers who believe we need to modernize Nebraska's brand statutes. Collectively, we feed around two million head of cattle per year and we have three goals. Protect and promote Nebraska's number one ag industry, eliminate the competitive disadvantage impacting all cattle producers, and find a solution that does not result in an increase in fees. I can share some very real examples of the disparity on the different sides of the brand line. We operate feedyards on both sides of the line. If we have one feedyard in eastern Nebraska 100,000 head and a feedyard in western Nebraska 100,000 head, we would pay the Brand Committee \$100,000 for that feedyard in the west and that's irregardless of any brand inspection fees we pay to either yard, which we do pay inspection fees also. So that's a \$100,000 expense just because of where our yard is placed. The Brand Act is just another example of an outdated business model that fails to meet the needs of producers like us, especially at a time when our industry is facing greater change and uncertainty. Now is not the time to add additional fees and barriers to our ag industry. Beef producers like us are

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treated differently, depending on which side of the state we live on. Even though the operations look and act exactly the same, there's still an increase in fees on one side versus the other. Any legislative proposal should focus on eliminating barriers inside our own borders that put one producer at a significant disadvantage to another, depending on where they operate. While the Brand Act may have served a purpose when it was formed in 1941, the simple fact is that the arbitrary and costly inspection fees no longer make sense in today's business climate. I want to thank Senator Stinner for introducing this important bill and bringing this conversation to the forefront for our state's ag industry. Beef producers are an important driver for our ag-based economy, and eliminating outdated fees and modernizing our brand statutes is important. This isn't about us versus them. This is about unifying our state. The approach in LB1200 is only a Band-Aid. It puts the Brand Committee on life support and it does so with higher fees. It's absolutely the wrong solution. Senators, we want to help you solve this problem and we offer our input. Our suggestion today is that we need to continue this conversation until we get it right. It would be my request that this committee continue to work with the ag producers and Senator Stinner to find a solution that advances the interests of all producers. I believe LB1165 is a perfect place to start. Thank you for your service to the state, and I'm happy to try to answer any questions you might have.

HALLORAN: Thank you, Mr. Lawless. Are there questions from the committee? Seeing none, you must have been very thorough.

JACK LAWLESS: Or you're lucky.

HALLORAN: All right. Next proponent, please.

JACK LAWLESS: Thank you.

HALLORAN: Good afternoon.

JERRY ADAMS: Good afternoon, Chairman Halloran, and the Ag Committee. My name is Jerry Adams, J-e-r-r-y A-d-a-m-s. I am the CEO of Adams Land and Cattle Company. I would like to really thank Chairman and the Ag Committee, Senator Brewer, Senator Stinner to come forward with this bill. You know, if this was an easy one, we would have been-- solved this much earlier in years before. My father started my company 70-years ago. Today, my brother, Bill, and I are the owners. We each

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have a daughter in the company, third generation. We have a 150 employees. We have three feedlots. We have about 125,000 animals on feed. And we work with many grow yards. First, I want to be really, really clear. I want three things, brand registration, brand ownership, and branding opportunities just like they are today. So everybody is deeply ingrained in agriculture in Nebraska. It's our number one industry. But we need to have two main things happen. First and foremost, level the economic playing field in-state and out-of-state. Let me say that again. We need to level the playing field in in-state and out-of-state. Eastern Nebraska, Kansas, Texas, Oklahoma has a big advantage over Nebraska in the brand area. Second, we need to reduce fees, not increase fees. LB1165 reduces fees. LB1200 increases fees. We need to start unifying Nebraska, not dividing it. Therefore, I really encourage each of you in your districts that you have constituents that are not in the brand area, why they were so adamant over the years not to have branding eastern Nebraska. They've tried many times to try to get branding in eastern Nebraska. They won't have it happen. Ask your constituents why. I think you'll find out two reasons. Adds no value, and it costs money. There needs to be a sustainable solution for ran-- for ranch's, for feedlots and for registered feedlots. It is-- we need to have something that's fair and is equitable throughout the state. It is not right for registered feedlots to subsidize the rest of the industry. We need to spend some months trying to figure out how to modernize this, to address it, in this deep inequality throughout state. It is also possible the unintentional consequences, the way the LB1200 is written today, there's a good chance that we will hurt all the grow areas, grow yards in Nebraska. In fact, we could have put them out of business. The Brand Committee often mentions electric tag-- electronic tags and note two of you have already asked about that. You know, this-- this is kind of like the Star Wars of 1983. It sounds really good, really intriguing, it's totally impossible what they're trying to do. I'm very experienced with electronic tags, and I'll explain that later if you want me to do it. So I urge the committee to spend-- send LB1165 on to the floor. LB1200 is not sustainable. It puts western Nebraska on-- unlevel economic playing fields. Eastern Nebraska, Kansas and Oklahoma and Texas, they have an advantage over us. I know I'm out of time, so any questions?

HALLORAN: OK. Thank you, Mr. Adams. Any questions? Senator Brandt.

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BRANDT: Thank you, Mr. Adams, for testifying today. So your feedyard pays a dollar a head. Is that what the current fee is?

JERRY ADAMS: That's correct.

BRANDT: OK. So would you be in favor of reducing the beef checkoff because we have to pay a dollar a head every time that animal transfers?

JERRY ADAMS: The beef checkoff is a federal law.

BRANDT: So, you know, I've got a few head of cattle back home and you take that baby calf in, it's a dollar check off, comes back as a feeder, it's a dollar check off, goes back again. You know, that's to me is the gift that keeps on giving. But I'm in the eastern part of the state, so I don't-- I don't know what-- you know, you guys go through on that and I can-- I know what some of the sentiments are on the eastern side, so I'm anxious to hear today why this is such a burden on the feedlots on the western side and so--

JERRY ADAMS: So the--

BRANDT: --can you enlighten me?

JERRY ADAMS: Excuse me. Thank you. Yes. The beef checkoff, at least they take the money and promote beef. The brand for us costs a dollar. So I pay a \$125,000 a year and get zero benefit.

BRANDT: All right. Thank you.

HALLORAN: Thank you, Senator Brandt. Any further questions from the committee? Senator Moser.

MOSER: I was just going to ask the question that I think you kind of answered there. Your inspection fees are 125,000 so you pay a dollar for your animal, for your capacity of your yard.

JERRY ADAMS: Correct.

MOSER: It doesn't matter how many times you turn them or--

JERRY ADAMS: It's a dollar per head, yes.

MOSER: OK. Thank you.

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HALLORAN: Thank you, Senator Moser. Any further questions from the committee? Seeing none, thank you, Mr. Adams. Next proponent. Good afternoon.

SCOTT EISENHAUER: Good afternoon. Mr. Chairman, and members of the Agriculture Committee, my name is Scott Eisenhauer. That's spelled S-c-o-t-t- E-i-s-e-n-h-a-u-e-r. I'm a rancher in Knox County. I run approximately 600 cows. In the interest of time, I want to be on record as supporting LB1165 and opposing LB1200. On February 12th, I got an email from the Nebraska Cattlemen of which I am a member. In the email it states that Senator Stinner has introduced a bill, LB1165, to do away with the Nebraska Brand Committee, and Senator Brewer has introduced the bill, LB1200, to maintain the Nebraska Brand Committee. The Nebraska Cattlemen's organization is in favor of brand inspection. I do wish the Nebraska Cattlemen would had taken a neutral position on this. There are many Cattlemen members like me, who live on the line, do not want the Nebraska Brand Committee. Nebraska Cattlemen organization should also take into account all of its members outside the brand inspection area that want nothing to do with brand inspection. Knox County is a microcosm of the state of Nebraska. The eastern third of this county is out of the brand inspection area and the western two-thirds is in the brand inspection area. I live just west of the inspection line and operate ground on both sides in and out. I can tell you that every neighbor within five miles of me is opposed to the Nebraska Brand Committee. Essentially, it is the decades old statute that penalizes and charges ranchers for being honest. If guys are going to steal cattle, they're not dumb enough to call the brand inspector. They will take the cattle out of the inspection area and sell it. Yes, we still brand our cattle. But the only thing brands are good for is insurance that when cattle get together, we-- we are able to work with neighbors and split them back up. If I have cattle stolen, I'm much further ahead calling the sheriff than the brand man. Just by coincidence, my sheriff is here today, so. Imagine this. You have an imaginary line just to the east of your house. Every time you want to take your property, let's say your dog or your cat east of this line, you have to call inspector to come, look at your animal first. You have to wait up to 48 hours for them to come, and then you have to pay them to come, tell you that your property is actually your own. How can this be viewed as logical? Statistics from the Nebraska Brand Committee's website show and the recovery reports for fiscal year 2018-19, the Brand Committee recovered \$630,000 worth of stray cattle. In the state of Nebraska

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agency budget, it requests the Nebraska Brand Committee budget request for 2019 was over \$5 million. Us, as cattlemen, in what business model does this work to spend over \$5 million to take in-- oh, right at \$600,000. Just an example of how poor our Brand Committee works. In January 2019, my landlord purchased 900-acre pasture. In this pasture there were still some wild cattle. After months of trying, we finally got most of the cattle rounded up and all the cattle with brands, I got back to the rightful owners, but we had a couple of cows left. I called every neighbor within three miles and nobody claimed them. I took them over to the Verdigre stockyards and to the brand man. He told me they would keep them, try to find the owner and if nobody claimed them, I could turn in a bill for their feed and what it cost for me to get them to the sale barn. Two weeks later, I got a call from the bran-- brand man. Nobody claimed them. They were going to sell that day and I could submit a bill. Had already figured out my cost. It was going to exceed the value of the cattle themselves. Between eight months feed, approximately 50 man-hours, and corrals and fences demolished by these cattle, I had well over \$2,000 in expenses. I submitted my bill verbally. The brand man told me the most he could-- I could submit was one month's feed and the cost to home to Verdigre, which is approximately \$140. In frustration, I told him he could keep his \$140. These are the situations that frustrate ranchers. Literally, there's no common sense exhibited by our Brand Committee anymore. My thought is, it's an archaic institution in the state of Nebraska that needs to go. Thank you for your time.

HALLORAN: Thank you, Mr. Eisenhauer, for being here. Are there questions from the committee? Seeing none, thank you for your testimony. So now we will shift to the opponents. We won't bite you. Good afternoon.

DAVE HORTON: Good afternoon. Chairman Halloran, and Ag Committee, I thank you for listening to us today. My name is Dave Horton, D-a-v-e H-o-r-t-o-n. At the current time, I have the position of chief investigator, chief of field operations for the Nebraska Brand Committee. I oppose LB1165, as it is appropriately labeled as the nuclear bill, totally destroying the Brand Committee, voiding all recent updates, changes and attempts to bring the committee forward into the future with the livestock industry and state government. This bill says it will retain cattle producers right to own and use registered brands. What it does not tell you is this approach avoids, neuters the effectiveness of a registered brand by removing inspection and investigation, making a registered brand nothing more than a logo

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to be used on a web page, stationery or to be hung at a gate post or a ranch sign. Without inspection to verify ownership, transfer ownership and provide documentation to validate those transaction-- transactions, the brand becomes a decorative symbol. The inspection segment is the only intrastate movement tracking process available at this time. This bill removes the investigative set-- segment overall and moves the issue of dealing with these stray animals to the county sheriff, again, making another unfunded mandate to be absorbed by the county, i.e., property taxpayers. The county sheriff's departments do not have the personnel, budget, time or expertise to deal with the matter of strays who fault-- no fault of anyone that putting the livestock producer on the trash heap of unworked, unsolved investigations and no resolution. It does state that the process-- possessor and seller-- or seller of livestock may be required by law enforcement to establish his or her ownership of such livestock, leaving the question which law enforcement. As some livestock markets are located within city limits, this would put livestock ownership question squarely on the municipal police departments, again, without resources, expertise or staffing to find resolution. Others would find their law enforcement to be, again, the county sheriffs or maybe even the Nebraska State Patrol. Again, personnel, resources and expertise issues. The livestock investigations are a specialized area of investigation requiring more than general livestock knowledge, but also must include marketing strategies, livestock transportation knowledge, knowledge of actual identification, species, types, breeds and overall animal husbandry. Municipal police departments, county sheriff all have limited jurisdiction, and the vast majority of livestock investigations are multi-jurisdictional, causing major-- major issues with time restraints-- restraints and most likely causing the investigation to be transferred over to the Nebraska State Patrol, again, not solving any of the before-mentioned issues, personnel, budgets and expertise. The Brand Committee investigators complete approximately one-third of their investigations in the nonbrand area and over the years have been requested to assist all Nebraska counties, other states and Canadian provinces with livestock issues. Livestock ownership matters are metaphorically like a three legged stool, three legs together make a stable functional utility, remove any one of the legs and it becomes unusable. Nebraska has a usable, functional brand recording livestock identification inspection. Investigative system is highly respected with the livestock industry. Yes, we need to complete started progresses into the future and continue improve efficiencies, but completely destroying an effective

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system to the passage of LB1165 is not efficient or productive for the Nebraska livestock industry.

HALLORAN: Mr. Horton-- Mr. Horton.

DAVE HORTON: I'm done. OK. Sorry I didn't look up.

HALLORAN: All right. Thank you, sir, for your testimony. Are there any questions from the committee? Yes, Senator Brandt.

BRANDT: Thank you, Chairman Halloran. Thank you, Mr. Horton, for testifying today. The Brand Committee has new technology. How is that working?

DAVE HORTON: As far as our electronic reporting system, it's working I would say at a rate of 90 percent today.

BRANDT: So is that saving us time and money?

DAVE HORTON: It is saving us a lot of time. It's a saving us a lot of the way we handle fees. Fees are directly collected and not handled by the inspectors and mailed in through the U.S. mail. We have just now gone to implemented an electronic time-reporting system that's been in-- in development and implemented since July. And is-- it's reported weekly instead of the old system where it was a once a month paper system. And so we have been able to see some real advances in time management there. Unfortunately, as you stated in one of your statements, the opening, or the time that we've had it available isn't quite long enough for us to get it totally completed and to see the actual results. By the end of this year in July, we should have a way better picture of what's going on there.

BRANDT: And then I've got a follow-up question. I'm going to switch gears. Mr. Eisenhower testified that he had a unmarked bull and an unmarked cow and that was hauled to the sale barn and he didn't feel he was adequately reimbursed for that. When we have un-- unidentified cattle, who gets the proceeds from that sale, does that go to the Brand Commission?

DAVE HORTON: No. The state statute says that all strays have to be turned into either the brand inspectors in the brand area or the county sheriffs outside the brand area within seven days. And it also states that the people, once that's notified, they set up a time to either try to find out who the owner is. If they can't, they bring him

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to the sale barn. The animal is sold. The money, the proceeds are held. And then there's an investigation either by the brand inspections or if it's outside the brand area, the-- the county board, to determine ownership and they have one year. If ownership is not determined within that one year, then the funds are turned over to the state school fund.

BRANDT: All right. Thank you.

HALLORAN: Thank you, Senator Brandt. Any further questions from the committee? One question that was mentioned earlier. There are other states that don't have a Brand Committee or brand areas, Texas, Oklahoma. I think Kansas at some level is void of brand area or Brand Committee. How do those states-- I'm not trying to be smart here, but how-- how did those states survive without.

DAVE HORTON: Each state has a system of some type. Texas has their system. Oklahoma works-- actually, their system is under the Texas Southwest Cattle Raisers Association. They contracted them. They do most of theirs on investigative sides after the fact, they find a problem. Texas does have inspection at sale-- sale barn, livestock markets. As far as Kansas goes, they have certain areas in the state that are brand inspection areas and they do have inspections at the sale barn. It's actually an option that they can opt in or opt out and they have two investigators that work under the Attorney General's Office that do nothing but livestock investigations. And then South Dakota is very much like Nebraska. Everything west of the river is mandatory brand inspection, everything east of the river is like eastern Nebraska. And then North Dakota, the whole state is in and from there west, everybody else has a complete state system that the whole state's in a mandatory brand inspection area. And they also provide investigations. Texas has 30-plus special rangers, they call them, that oversee the brand inspection at the sale barns. And then they-- they are the ones that actually do the criminal investigations, work for their contract, the TSCRA.

HALLORAN: OK. So there are some states that can satisfy the ownership characteristic of the brand. Basically, they all may do that, but they satisfy the ownership characteristic of the brand and they're able to quantify and deal with theft when it occurs through investigation, but they're able to do without a Brand Committee, like Texas and Oklahoma.

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I mean, that's the way-- that's the way they do it-- function now, correct?

DAVE HORTON: The inspection is under-- is contracted in Texas with the Texas Southwest Cattle Raisers Association, and they take, as I said, take care of Oklahoma also. So they do have-- they do-- they don't use the country inspection. They do use the sale barn inspections. And so other than Oklahoma and like I said, they use the investigative services after the fact. So, you know, it-- each state has-- has their own system. How efficient they are, I guess you could argue the point either way.

HALLORAN: OK. Thank you, Mr. Horton, for your testimony. All right. Next opponent to L-- oh, excuse me. OK. Please, next opponent.

_____: For or against.

HALLORAN: Against. Opponent. Good afternoon.

JIM DINKLAGE: Good afternoon, Senators of Agriculture Committee. I am Jim Dinklage, J-i-m D-i-n-k-l-a-g-e, representing Independent Cattlemen of Nebraska as the president and also other cattlemen of Nebraska. Before you start my timing, I would like to thank Senator Blood for her efforts on LB594, if I remember it correctly, for your efforts. Thank you. I'm here today to oppose Senator Stinner's bill, LB1165. If it passes, it will eliminate the Brand Committee and brand inspections. As you should know, the Brand Committee and its work force of men and women do inspections on hot and freeze brands that usually determines ownership of cattle in the brand area, which does not cover the entire state of Nebraska. Senator Stinner informed me that the reason he introduced LB1165 was that the Brand Committee is unable to balance their budget. Senator Stinner is on the Revenue Appropriations Committee, which provides funding for the brand inspections. If you cannot balance your budget, the Appropriations Committee will not fund your program. First rule of accounting, every credit should equal a debit and every-- and vice versa. If credits and debits don't equal, you won't have a balanced budget, therefore, no funding. Sounds simple, but not so. After talking to a member of the Brand Committee he's concluded that balancing the budget depends on the figures that's used in the accounting procedure. The committee has purchased electronic equipment, vehicles, etcetera that should not be accounted for in just one year. That makes the budget unbalanced. Just bring those purchases out over many years allows you to balance your

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budget. If this is all accurate, I hope the Appropriations and the Brand Committee can come to terms so that the Brand Committee and inspections will not be eliminated. Now, I've also been led to believe that verbal pressure has been put on senators by feedlot owners in brand area to eliminate the Brand Committee. Feedlot owners believe they alone pay most of the fees for the brand inspection. This is probably true. You play, you pay. The more cattle you purchased, the more you pay. That isn't true for the registered large feedlots though. They pay an annual fee for one-time full capacity of that feedyard, \$1 per head times a feedlot capacity. A 10,000 one-time capacity feedlot pays \$10,000. Feedlots don't generally fill once and stop. They turn that capacity approximately three times a year. Divide that 10,000 by three and the animal per head inspection fee goes down for \$1-- from \$1 to 33 cents per head. A very fair amount. If the feedlot owners feel that they are being mistreated, I can understand why they are trying to influence nes-- the Senators. Quid pro quo. Now, where did we hear those words from? When brand inspections started, it was to cover the whole entile-- entire state. At that time, most of the large cattle feeders were in eastern Nebraska, mainly in Cuming County. That's my old county. The largest feeder at that time was my cousin, Louie Dinklage. He and others fed-- who fed made sure that the brand area did not include eastern Nebraska and that the inspection line in and west of Norfolk. That way it didn't include the largest livestock auction barn at that time, which was in Norfolk. It's too bad because I know from personal experience there have been a lot of cattle stolen out of feedyards in eastern Nebraska. In closing, let's keep the Brand Committee and inspections and together make it continue to work. Thank you very much for your time.

HALLORAN: Thank you, Mr. Dinklage. Any questions from the committee? OK. Seeing none, thank you for your time.

JIM DINKLAGE: Thank you.

HALLORAN: Next opponent, please. Good afternoon.

MELODY BENJAMIN: Good afternoon. Good afternoon, Chairman Halloran, members of the Agriculture Committee. Thank you for the opportunity to testify today on LB1165. My name is Melody Benjamin, M-e-l-o-d-y B-e-n-j-a-m-i-n. I'm on the staff of Nebraska Cattlemen and I work on brand issues for the association. The policy of Nebraska Cattlemen's membership is opposed to LB1165. I'm also providing today a letter from the Farm Bureau in opposition of LB65 as well-- LB165 as well.

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Our policy supports brand inspection within the brand inspection area and the use of the investigation portion of the Nebraska Brand Act to investigate and build cases for prosecution when necessary. Our organization has a long history with brand inspection as our predecessor organization, the Nebraska Stock Growers was formed in 1888 to establish rules for registering a brand and hiring inspectors to ensure the rightful owners of cattle were determined at market. The Stock Growers maintained that activity until the Nebraska Brand Committee was formed in 1941 as a noncode state agency. We applaud Senator Halloran for bringing LR222. The subsequent hearing highlighted some of the differences in the various segments, needs and fair portions of the costs. Senator Blood, your suggestion that the Nebraska Brand Committee work on a strategic plan was taken to heart, and thank you for your wise counsel. We also thank Senator Stinner for bringing LB1165 to raise awareness of some of the issues with the decades old statutes which have not kept pace with an ever evolving industry. We believe abolishing the bran-- Nebraska Brand Committee is the wrong solution for the issues. Our membership has been supportive of the cattle producer committee that is the Nebraska Brand Committee. Those who develop the policies and make the decision for the agency are in cattle production and pay the fees as required on their cattle transactions. It is important the committee members have the confidence of their peers to do what is best for cattlemen and cattle women regarding inspection, investigation and recording. The Nebraska Brand Committee has approximately 80 full-time and intermittent inspectors who could be called into action in the event of a disease outbreak that would necessitate the Department of Agriculture ordering a stop movement. The availability of this tool, which could be called into action immediately, cannot be oversold. In such an emergency, time and boots on the ground are critical. The Nebraska Brand Committee is contracted by the Nebraska Beef Council to collect the beef checkoff inside the inspection area when appropriate. Our membership is supportive of this relationship and feel it is important that it is continued. In summary, our policy is based on the desire of most of our members within the brand inspection area to maintain brand inspection as a way to ensure missing cattle are recovered, maintain the investigative branch to determine if laws have been violated, and develop the case for prosecution if needed, and keep the cash reserves built from producer paid fees with the Nebraska Brand Committee. Thank you for your attention and I will be glad to answer any questions you might have.

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HALLORAN: Well, thank you, Ms. Benjamin, for your testimony. Any questions from the committee? Seeing none, thank you so much.

MELODY BENJAMIN: Thank you.

HALLORAN: Now we will move back to proponent. Afternoon.

JOHN SENNETT: Afternoon. I don't move as well as I used to getting in and out of these chairs, I don't envy you gentlemen who have to do that very much. Thank you, Senator Halloran and members of the committee for the opportunity to address you today. My name is John Sennett, J-o-h-n S-e-n-n-e-t-t. I'm an attorney at law, and please don't hold that against me. My-- I grew up in a family where my father spent his life buying and selling cattle, horses and doing anything else he could do to survive the depression and to survive after the depression. I'm an attorney, but one of the few attorneys that actually probably knows how to saddle a horse and go gather some cattle if we had to. I come to you with that knowledge. I come to you as an attorney for the Nebraska Beef Producers Committee, which is a conglomerate or a coalition of cattle feeders in the state of Nebraska. The-- hearing some of the testimony today, I would like to take you back quickly to some of Senator Stinner's remarks and some correlation with that. According to the Brand Committee's reports, the fisc-- in fiscal year 2018-19, there were 1,332,664 local out-- out in the county inspections. There were an additional 1,499,999 brand inspections at the auction markets, and an additional 563,398 inspections at the packing plants. That's a total of over 3,300,000 inspections. According to the Brand Committee's report, they gathered 466 as strays as a result of that expense. If you take 466 as strays, this is not stolen cattle, this is cattle that were just out in the country and they brought them in. It could include, I suppose, stolen cattle, but 466, that equates to 11-- over \$11,000 per head for everything that they found. The state of Nebraska would be better off to just pay them for their cattle. The one thing about, and not to take that too far, but I had occasion to-- to poll the members of the group that I represent and I asked them several questions. The first question was, collectively, how many cattle do you have, do you-- do your work in a year, and I think Mr. Lawless gave that number at about two million head of cattle. And then I said, well, how-- has that been pretty much the case for a number of years, and his answer was, yes, that was. And then I asked, well, in all those years and all those cattle, how many times has a brand inspector brought one back to you? And the answer was, uniformly, never. I then ask them how many times

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has a brand inspector come to your place and done an audit or done an inspection or looked at the cattle and found that you had in your possession cattle that didn't belong to you? And the answer was never. People who want to brand their cattle should brand them. And it's a tradition that my family has followed my entire life. It's very helpful to have your cattle branded because if they get commingled, but there is the feedlots and the people who are-- not just us, I mean everybody is paying these brand inspection fees are simply not getting anything for their money. Thank you.

HALLORAN: Thank you, Mr. Sennett. Any questions from the committee? Senator Hansen.

B. HANSEN: Thank you for coming to testify. You seem knowledgeable on the subject and well spoken, so I got a question.

JOHN SENNETT: I fooled one guy already, so go ahead. [LAUGHTER]

B. HANSEN: Well, that just spares the other ones. In your personal opinion, myself being more of kind of a limited, you know, conservative Senator, you think it's the government's responsibility to even do this, or to be best left up to private organization to handle this situation?

JOHN SENNETT: I think it should be left up to the private organizations that-- that has testified earlier. That's the way Texas does it. They-- they-- their private organization funds these brand inspector.

B. HANSEN: OK. I'm not saying there's not a need for it. I think there is a need for registration, some enforcement local and-- by local authorities, but also by maybe someone that has more oversight. And so that's kind of why I asked that question. I think sometimes when you kind of see private industry take over a situation such as this, have it more efficiently.

JOHN SENNETT: I think, our-- our group, I-- I'm confident our group, their position is if you want brand inspection, have it. Go hire your brand inspector and have them look at your cattle and tell you that, yeah, you're right, they're my cattle. If you want brand inspection, you should have it, but you should pay for it. If you don't want or need brand inspection, you shouldn't be forced to pay for it. And that's in effect what Senator Stinner's bill does. It says, hey, we're going to have a place that you can register your brand and you can

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have your brand owned and you can-- and that brand is not going to be taken by somebody else. If I can digress just for one moment. In 1933, my father and several of his friends drove 700 head of cows from Mason City, Nebraska, to north of Halsey-- north of Dunning, Nebraska. Took them two days and they, by the way, on the way, they wiped out a whole schoolhouse when the cattle stampeded. But there was no brand-- there was no brand registration at that time. That happened in 1940. So in 1933, they moved all of these cattle north of Dunning, turned them out on the-- on the grass because they had some rain up there. And then, my father's name was Harry Sennett, and the brand that he used on his cattle was an S. Makes sense, normal. He got to north of Dunning and there were three neighbors, and I wouldn't get their names right, but it was like Schmitt's and Snyder and Shanahan, and what was their brand? It was an S. So it's important to have a place to register your brand so that nobody else can have it and so you can use it as proof of ownership when all the cattle get mixed together in a bad some-- bad snowstorm or a blizzard, so you need that. And that's what Senator Stinner's bill does. Thank you.

B. HANSEN: I appreciate your testimony. I'm intrigued and interested, and I'm glad both senators brought both these bills. And I appreciate the testimony so thanks for coming. Thank you.

HALLORAN: Thank you, Senator Hansen. Senator Brandt.

BRANDT: Thank you, Chairman Halloran. Real quick follow-up question to what he said, haven't lived in Texas. So the Southwestern livestock feeders aren't doing this for nothing, are they?

JOHN SENNETT: No, they're not.

BRANDT: So how do you pay for that? I mean, if you're paying for Brand Committee, whether it's state run or private, now you go to having another organization to do it, somebody is going to foot the bill for this, and probably the users. Would that be correct?

JOHN SENNETT: That's correct. What-- what I-- when I visited with the-- the gentleman in Texas who runs their-- their entity and the brand inspection and the investigation, and that was exactly one of the questions I asked him and he said-- he said, yeah, we fund this through our organization, through our dues that we charge people and through assessments that we make for doing our work. And I said, well, can-- do you investigate, and do you brand inspect for people that

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aren't your members? And he said, yes, we do. And I said, do you charge for that? And he said, no, we don't. And I said, well, you mean I could have cattle that were-- that-- that were stolen and you'd go out and you find them and you give them back to me, and I'm not a member of your organization. He said that's true. But he said, typically, we do such a good job because we gather so many cattle, we find so many cattle that are stolen, that people join our organization. Their-- their success, in effect, funded them is what I'm trying to get to.

BRANDT: I guess what I'm trying to establish, is it any cheaper to have a private group do it than what we've got now? I mean, if the cost is the same, what difference does it make?

JOHN SENNETT: I don't think it's any cheaper. The question is, when you have a private group-- you don't have a private group now. What you have is a mandatory group.

BRANDT: That's right.

JOHN SENNETT: And they are-- and that mandatory group is-- is charging people who get no benefit from the-- from what they're paying for. They're not recovering any cattle for us. They're not finding any cattle for people that think their cattle have been stolen. So why are we having to pay and subsidize for that expense? Now, you know, and I've heard all of today the people who've testified saying we haven't had time. You've asked the questions that-- that, well, are you going to have savings? Is it going to be fine. From what I heard Senator Stinner say, the-- the cost is continually going up of-- of the Brand Committee. Now they're going to submit a deal to not charge a dollar a head or a dollar ten a head, but be able to charge a buck and a half a head. There is no-- the question is, is there savings. There must not be. Not, if you're raising the fees. So I'm just saying, and I don't know that I've answered your question, probably, I apologize if I haven't, but we're all in favor if the Nebraska Cattlemen want to have brand inspection and they want to pay to have that brand inspection, that's fine. It's a benefit to them. They like it. That's fine.

BRANDT: All right. Thank you.

HALLORAN: Thank you, Senator Brandt. Any further questions? Senator Moser.

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MOSER: So you're saying that you're paying fees and getting no benefit. Is somebody getting a lot of benefit and not paying any fee? Is there's somebody benefitting from it? You're saying that you're getting-- you're losing money, basically supporting this. Who's-- who's getting the benefit that you're-- who are you subsidizing?

JOHN SENNETT: Well, I believe the-- I'm certain of this, that the testimony and comments of Mr. John Widdowson, who is now, I guess, the executive director of the Brand Committee, has said that it cost the Brand Committee a buck 33 per inspection. OK. They're charging a dollar per inspection. I believe that there are people who believe that they have a benefit from the Brand Committee and the brand inspection. People who run a lot of cows and calves, they believe they have a benefit from that. Whether they do or not, I don't know. OK. But they believe they do. And therefore, they should go ahead and be able to brand and be able to have their cattle brand inspected, but they should just go ahead and pay for it because they believe that they are getting a benefit.

MOSER: Well, what would you think if the state just washes their hands of brand inspection and-- and suggests to the Cattlemen and the various organizations they just get together and start their own association, they assess their members on whatever they can agree to, and run their own system rather than relying on the state to do it. Obviously, the state's not doing it cost effectively.

JOHN SENNETT: I think that would be fine. I think that would be fine. I think, you know, and I'm not unconscious to the fact that there are good people here testifying that they don't want brand inspections to go away. What you're suggesting would take care of that issue. It would just simply be, they're paying for something they perceive that they're getting a benefit.

MOSER: Well, as long as we-- as long as you have the state to back you up, it's like some kind of senior cattle guy starting somebody else out in the cattle business and he continually loses money and the old man funds them. You know, at some point--

JOHN SENNETT: Usually don't work very good, does it?

MOSER: Yeah, yeah. I know. In my business, if I lose money, I have to explain it to the bank myself. Thank you.

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JOHN SENNETT: Yeah.

HALLORAN: OK. Any further questions from the committee? Seeing none, thank you, sir.

JOHN SENNETT: Thank you.

HALLORAN: Next proponent. Good afternoon.

RICHARD EISENHAUER: Thank you, Senator Halloran, and Ag Committee for-- for letting me testify today. My name is Richard Eisenhauer, R-i-c-h-a-r-d E-i-s-e-n-h-a-u-e-r. I am a cattle producer, but I am also here today not as a representative of the livestock auction group, but I've been asked to share a letter sent by a co-owner of the Creighton Livestock Auction in Creighton, Nebraska. A sale day there, and he was not able to come, so I am going to share that letter with you. My name is Ryan Creamer, co-owner of the Creighton Livestock Auction Market located in Creighton, Nebraska, in Knox County. I've been with the market over twenty-five years. I write in your support of LB1165, introduced by Senator Stinner. The Creighton Livestock Market is located in Creighton, Nebraska, in the portion of Knox County, which is in the brand inspection area. And I remind you, Knox County is split a third, two-thirds, so we are-- we are unique. In fact, the border of the brand area ends approximately two miles south and nine miles east of our location. From our December 2018 to June 2019, of the over 21,000 head of cattle sold, nearly 70 percent of the cattle at our auction came from outside the brand inspection area. Over the years, we have received numerous complaints from our sellers outside of the brand area who feel that they are treated unfairly when forced to pay the per head brand inspection fee. Worse, I have potential customers in the surrounding counties who will not use Creighton Livestock Market because they are forced to pay an extra cost to use our livestock auction. Processing the proper paperwork can also be challenging for those who are outside the brand area but wish to sell in the brand area. For example, if livestock were purchased outside the brand area from a neighbor or another market, the cattle may carry a brand, but there would be no brand clearance written because no brand inspection was required at the time of the sale. When that same livestock are sold at a market within the brand area like ours, the proceeds of the sale of livestock could be held by the inspector until the producer comes up with the correct paperwork, which he may or may not have. Many find that the brand inspection process to be cumbersome and confusing, so they avoid using markets

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within the brand area, and instead of looking to other markets in Nebraska, or even sell livestock in markets in South Dakota in order to avoid the problems associated with selling in the brand-- in a market located in the brand area of Nebraska. While the customers are in South Dakota they are purchasing gas, groceries, farm supplies and general spending their money out of state, lost revenue that is hurting Nebraska. We see similar problems with out-of-state customers. In addition, I have not seen the brand inspector catch someone trying to steal cattle, have not-- and have sold only a few handful of the strays over the past 25 years on behalf of the Nebraska Brand Committee. I thank you for this opportunity and your willingness to serve Nebraska. If you have any questions, I would be happy to try to answer them.

HALLORAN: Thank you, Mr. Eisenhower. Any question from the committee?

RICHARD EISENHAUER: Thank you very much.

HALLORAN: One more proponent. Good afternoon.

KORBY GILBERTSON: Good afternoon. Good afternoon, Chairman Halloran, members of the committee. For the record, my name is Korby Gilbertson. It's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n, appearing today as a registered lobbyist on behalf of Tyson Foods in support of LB1165. Tyson Foods feels that this bill simply eliminates unnecessary bureaucracy and protects the history and tradition of branding. When I first started representing Tyson, or actually when this issue started coming forward, Senator Tom Hansen was in the body and we had many, many long conversations because his grandfather was one of the people that started the branding laws in Nebraska, so he held it very near and dear to his heart. But we had lots of communication about how ineffective and perhaps unfair the brand inspection fees were for different parts of the state. Tyson has a unique perspective because we have beef processing plants both inside and outside of the brand inspection area. Just to give you a little background on Tyson, in case you don't know, they do beef, pork and poultry processing in Nebraska, in Dakota City, Lexington, Madison, Omaha, Tecumseh, and we have over 10,300 employees with an annual payroll of \$451.2 million with a 3.3 total dollar-- billion dollar footprint in Nebraska. For the cattle production, Tyson works with over 480 different producers in Nebraska and just in the Lexington plant alone, they process over 4,300 head per day. So those head of cattle that are coming through that plant are inspected. Many come from outside of the brand

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inspection area into the brand inspection area. Some come from out of state, but all of those cattle are having the brand inspection fee paid. And we have tried to track down any records of any stolen cattle being found at the plant, and they can't locate any information re-- can't locate one that shows that there have been stolen cattle located there. There have been issues over many years regarding documentation, and we've worked with the Brand Committee over the years to clarify what could be used as documentation for ownership and things like that. But there isn't, from our opinion, a discernible benefit to having the brand inspection going on at Lexington. And if you wonder what the impact would be of having it not impact Lexington, you only need to look at Dakota City. It works just fine without it. So with that, I'd be happy to answer any questions.

HALLORAN: Thank you, Ms. Gilbertson. Any questions from the committee? Seeing none, thank you.

KORBY GILBERTSON: Thank you.

HALLORAN: All right, we'll shift back to opponents. Good afternoon.

DON HENERY: Good afternoon, ladies and gentlemen. My name is Don Henery, Don, D-o-n, Henery, H-e-n-e-r-y. I'm the Knox County Sheriff, and as you've heard, I have at least three people here that have testified, both pro and con. The thing that strikes me is right up there above your heads-- equality before the law. I hear packing plants complain about paying high dues, but I don't hear little producers necessarily hearing about paying the same dues when, in fact, as Mr. Dinklage pointed out, it's a one time fee and your recycling-- you're running cycles through maybe three times a year so you're actually cutting your price down if you're a bigger guy. I don't blame them for that. That's-- that makes sense. It makes business sense. I should back up and tell you that I was involved in that cow-calf operation up until three and a half years ago, besides being with Knox County Sheriff's office for almost 40 years. So I have had experience. I've worked with Ryan Creamer and have recovered stolen cattle sold through his sale barn. I worked with the Verdigre sale barn, recover stolen cattle and both-- numerous times with packing plants in South Dakota. Obviously, they were already butchered, but we were able to convict the people that stole them. Not always, but most of the time. I worked with the Brand Committee on these cases and we work well together. As far as operating in the black, operating in the red, my thoughts are why reinvent the wheel?

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We've already got something in place that works. Maybe the people don't like the price, but if you try and absorb that in Department of Ag or somewhere else, you still have costs. And if you don't have costs, then you're gonna push it down to the county level, which they say isn't going to happen, but we all know somebody has to do it. And if Department of Ag doesn't do it, my office will do it. There again, equality before the law. Don't push it down on my county with an unfunded state mandate because I can't-- I can't absorb it. And the yellow light isn't on, but I'm pretty much done. So whatever questions you have, fire away.

HALLORAN: You beat the light. Congratulations. [LAUGHTER]

DON HENERY: They tell me if I pank up, I can't talk because I use my hands so much.

HALLORAN: That's the first sheriff I've seen squeezed through a yellow. [LAUGHTER]

DON HENERY: I might've hit a red once.

HALLORAN: Are there any questions from the committee? Senator Brandt.

BRANDT: Thank you, Sheriff Henery, for testifying today. Your point is well made. If the Brand Committee went away tomorrow, that then lands on every county sheriff in the state of Nebraska. And I don't know what kind of workload-- a lot of the counties you represent or I represent, we have more cows than people.

DON HENERY: Yes, sir.

BRANDT: And then it gets to be a problem because I'm in a nonbrand area. At least in a brand area, I would assume you have a starting point to argue over whose cattle they are. Would that be correct?

DON HENERY: That is correct. Actually, it has saved me a lot of time because if there's a brand, its solved before we even have to get involved between neighbors. The sad thing is, not everybody has good fences and so cattle stray. The other sad thing is bulls have sexual desires and they go through them fences. So again, we have problems. But not to get off track on this, but it's, I think-- I think the branding is a good thing. I think the institution is, if-- it's running in the black and it might run in the red down the road, it might. But what government agency doesn't at some point run in the

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red. You're not made to profit, you're made to operate for the people. And I think sometimes you're going to run the red. When I have a homicide, I run in the red. When I have an-- a year with a lot of criminal activity, I run in the red. That happens. And there's-- there's not a lot we can control in that. But if these guys are running in the black for the most part, what are they doing wrong other than charging a fee.

BRANDT: Thank you.

HALLORAN: Senator Hansen.

B. HANSEN: Thank you for coming and testifying and I just want to kind of follow up a little bit on what my colleague said. Well, first of all, I was always understood from your profession, I'm never supposed to run the red, so I'm always careful about that. And some government agencies do run in the red. But I think it's beholden upon us as state senators to make sure that they don't because we're suppose to represent the taxpayer and their money. And so anything that does run in the red is a concern of mine. So if it does, I think it's up to us to make sure that it doesn't or to least find some kind of solution to make sure that we can run in the black. And so the question I did have, just a better understanding, kind of wrap my head around some of this stuff, is maybe in Knox County per se, because I don't think you can answer for anybody else, what is the trend or what is the instance that you have had to be involved with stolen cattle or the Brand Committee has had to come and take care of it, just view of how to solve the problem.

DON HENERY: We are a borderline county. South Dakota is on our border. I mentioned the packing plants and they're in South Dakota. I've-- I don't recall ever working with Tyson's or any of these other ones, but the fact that you have a state deputy sheriff who can manipulate the paperwork and is used to working with state deputy sheriffs from other states, it's a big plus to us, and it's an area they're trained in and used to working. Not that we can't, but they can do it more efficiently and quicker. And by the same token, just like with the State Patrol, these guys work a statewide area. All of us sheriffs network and all of us sheriffs do a lot of things, but the network that the brand investigators have is even large, and, of course, they work with the other states. So that's one-- that's one instance where they do help, especially working out of state for us. As far as the sale barns go, I-- I don't know that they have any more power than us

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in the sale barns, but we live there with them guys and we work with them every day. And so we have a good relationship as that goes. But their expertise, you know, we work-- have we worked cattle cases without them? Yes. But we work more with them than without them. And things seem to go smoother with them versus out of them. Another instance, just quick, we had some livestock stolen in Verdigre, Nebraska, was actually taken to Rapid City, South Dakota. That state investigator was able to recover the livestock in Rapid City, South Dakota, which is a pretty good feat, you've got to admit. So them-- them critters were returned and that guy was convicted of a felony. So that's one instance.

B. HANSEN: Thank you.

DON HENERY: Yep. If I may, we have one red light in Knox County and that's on a temporary bridge over the river.

B. HANSEN: Now I know what to watch out for when I'm in Knox County.

HALLORAN: Any further questions from the committee? Seeing none, thank you so much.

DON HENERY: Thank you much.

HALLORAN: Next opponent, please. Afternoon.

CHUCK WREDE: Good afternoon. My name is Chuck Wrede, C-h-u-c-k W-r-e-d-e. I'm the Boyd County Sheriff. I border Knox County and since the '60s, I've raised cattle, branded cattle, worked as a-- in law enforcement since 1976. I'm kind of like, Don. We've got two locker plants in our county. We've got over twelve feedyards in our county. We have one brand inspector. She runs seven days a week, 24 hours a day, if she could run that way. If this bill passes, this is going to go on to my shoulders. I don't have the manpower. I've got two deputies besides myself. There is no other law enforcement in the county, and it's going to cause a burden on us. And I work quite well with the brand investigators, the brand inspectors. In March of last year, we confiscated a thousand head of cattle that weren't being taken care of. I had five brand inspectors there, along with two investigators, plus four or five other people that I hired. And if it wouldn't have been for them, they inspected every cow that went off of that place and we knew whose it was. And if it would've been for them, we'd probably still be there. I guess that's all I got.

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HALLORAN: OK. Thank you, Mr. Wrede. Any questions from the committee? Seeing none, thank you so much.

CHUCK WREDE: Thank you.

HALLORAN: Next opponent, please. Good afternoon.

BEN MATCHETT: Good afternoon, Mr. Chairman, Senators, and members of the Agriculture Committee. My name is Ben Matchett, B-e-n M-a-t-c-h-e-t-t. I am the Sheriff of Holt County and I am here today because I was concerned that if LB1165 passed, that it would fall squarely upon the sheriff's department, the branding inspection and also the regulations that come with that. I have five deputies. I cover 2,417 square miles and I was lucky enough two years ago to get that fifth deputy. And if for some reason the Agriculture Department could not handle this, I don't think we're fooling anybody, it'll be the sheriff's offices that will be responsible. And if that were to happen, then I would have to hire two to three additional deputies and that would cost probably between 200,000 to \$225,000. Now, I have to stay within my budget. I can only increase it by 3 percent. And the state has told the counties to stay within that 3 percent. So I don't know what we would do if that were to happen. It would be a big dilemma. And as far as brands, I'll admit, brands con-- confuse me. Whenever I see a brand, I usually have to call a brand inspector if I have a question. I was out on a replevin action at a feedyard, we called the brand inspectors because that is required and we are going through those cattle and looking at those brands, I couldn't make heads or tails of any of them. You know, I knew all the cows-- all the cows had tails, but that's about all I can really tell you as far as that. And I could tell what type of cattle they were, but as far as the brands, I-- I just didn't have a clue on that part of it. We depend upon them a great deal. And that's really about all I have to say.

HALLORAN: Thank you, Mr. Matchett. Any questions from the committee? Seeing none, thank you, sir.

BEN MATCHETT: Thank you.

HALLORAN: All right, we'll shift back to proponents. Good afternoon.

DARREL ENTZ: Good afternoon. Thank you for taking up this subject. It's been a subject that's been difficult to deal with across the state for some time. And I appreciate you addressing this and seeing

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what we can do about helping us out. I'm a small producer, so, and I'm a-- oh, my name is Darrel Entz, D-a-r-r-e-l E-n-t-z. I'm from Custer County. And I grew up in Kansas on a farm and feedlot and was very got involved with the Kansas Livestock Association in their youth development program back in the late '70s and early '80s. And we lived down there till I was about 35 years old, and so I'm very familiar with the way that Kansas does their brand laws, which there aren't any, but I'm very familiar with how that's all handled. Around in the late '70s, early '80s, why then Kansas Livestock Association did a study on whether to put in brand registration or to do brand inspections. And it did not receive very much support. And in the time that they were going through this, they discovered, down in number one there, they discovered that it was-- KLA found that the brand inspections did nothing to defer the crime of stolen cattle and the number of stolen cattle and the number of recovered stolen cattle were about the same in Nebraska as in Kansas. They did find that it was easier to get law enforcement involved in suspicious situations in Kansas than Nebraska because they didn't have to go through a brand inspector to determine if there was a case worth looking into. I would say here that it was on the basis of suspicion or a neighbor would see something and he would call the sheriff's department and say that there some suspicious activity going on. And I appreciate the work that these sheriffs do, and that's a lot of what they do. They got to go off what other people say and see. And if they don't-- if they don't have the people looking out for things, why then they don't have anything to go on. And that's the same whether it's in a brand inspection area or not. Number two is as a backgrounder, and this was what Jerry Adams called a grower yard. That's kind of what we run. We have-- I'll back up, but I'm a little bit nervous. I haven't done this before, so I kind of jump around a little bit. But we run about 400 cows. So we're ranchers on that side. We have a small feedlot that we finish cattle in and then we background or we have a growing yard where we grow about 500 head of cattle a year that we resell. So we have all aspects of the cattle industry on our place. So as a background or who resells most of his cattle, and I really want you to understand this, that I am forced by NBC, Nebraska Brand Committee, to brand my cattle. I do not have an option on this. I tried it one time and it didn't go over very good. There were-- there are other ways to identify them that I would like to use and I do use ear tags, I use EID tags and other ways. And I believe that as soon as they come up with a way to read EID tags from a distance of 150 feet or more from a pickup or from a drone or something like that, I believe that branding

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will become even more obsolete than it is now. And I say that because I buy cattle from all over western Nebraska, all different sale barns and 50 percent of the cattle that I buy from producers, 50 percent of them when I looked this up just this last week, they are not branded cattle. And this goes with number three there. If it's not important for those producers in western Kansas to brand their cattle, then apparently they're not too worried about the inspections that they're gonna-- what the inspections are going to reveal about their cattle. This isn't to say that 50 percent of the cattle aren't branded, it's just that 50 percent are not-- 50 percent of the producers don't. And I got the red light there, but I'll just finish this number five. I think that we need unity across the state. And I'd like to see that this unity is done by having statewide brand registrations and eliminate the mandatory brand inspections.

HALLORAN: OK. Thank you, Mr. Entz. Any questions from the committee? Seeing none, thank you, sir, for your testimony. Is there another proponent? Seeing none, are there any more opponents? Good afternoon.

CHRIS GENTRY: Hello, Chairman Halloran, and members of the Ag Committee. My name is Chris Gentry, C-h-r-i-s G-e-n-t-r-y. I'm a member of the Nebraska Brand Committee and I'm testifying on their behalf in opposition of LB1165. I am a fourth generation cattle rancher in southern Cherry County. The A bar C brand I use on my cattle has been registered to someone in my family since the late 1800s. Nebraska's Brand Act and the integrity of the Nebraska Brand Committee is widely touted among the other states which have brand inspection. We are recognized as having valid processes to recover missing cattle many times before they are even discovered missing. Our investigators are highly regarded when they work with law enforcement in other states. We know we are providing the necessary verification to ensure the rightful ownership is established and clear title to the cattle is passed to the new owner. The committee has made great strides in the past five years towards moving from a system that basically has been unchanged since 1941 and was totally paper-based to an all electronic system that provides better data for the committee to use in making decisions. Some examples of the things we have dealt with during this process, for the first time employees have email addresses. The only method of communication previously, with the roughly 80 employees scattered across 60 percent of the state, was the U.S. postal system. We found out the unreliability-- excuse me, of broadband in many places of rural Nebraska. We had to train, train and train the inspectors to get them comfortable with using these

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electronics. We discovered we needed a project manager to keep the implementation of each phase of the software development on track. We realized the inspectors needed support for their IT questions and their investigators time was being dominated by trying to manage the inspectors to minimize comp time. So we've established a position who along with their regular responsibilities assist the inspectors with IT and manage their time schedules. All of these things have come up-- come with up-front costs the committee did not anticipate. While most other agencies have had incremental upgrades in technologies, this is happening for us all at once. We realize that these expenses and expense increases have raised concern with the Appropriations Committee. We are starting to see the efficiencies of the electronic programs and know that it will level out. All of this with us not going to the maximum fee currently allowed per head on inspections in order to keep those costs producers-- keep those costs to the producers unchanged. Through it all, we have continued to build our cash reserves. The members of the Nebraska Brand Committee believe that LB1165 is premature. The finances are being addressed and concerns with the fairness of fees is being addressed in LB1200. We would like to continue to work with Senator Stinner to find equitable solutions. We know that many producers have concerns that will-- there will be more missing cattle and theft if the Nebraska committee, Nebraska Brand Committee does not have the authority to establish their approved methods, the true ownership of cattle. And I might add that branding of cattle is not required by current law. Selling cattle is acceptable with bill of ownership. Thank you for your time today. I'll be happy to answer questions.

HALLORAN: Thank you, Mr. Gentry. Senator Blood.

BLOOD: Thank you, Chairman Halloran, and thank you, Mr. Gentry. I need some clarification. I'm not sure I heard you correctly towards the end. Can you tell me what you believe would happen if indeed mandatory inspections were to go away?

CHRIS GENTRY: I believe, first of all, that their trust in theft-- I mean, inspections currently deter theft. It's just like the presence of any criminal or-- or of a police enforcement. Much crime is deterred by their presence more than just, if that makes sense. I'm sorry, I'm nervous, but.

BLOOD: I don't bite, just take your time.

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CHRIS GENTRY: But I do believe that the inspection deters actual cattle theft. Without that inspection process, cattle theft, I believe, would increase.

BLOOD: And then I have a follow-up question. I am-- I, you know, I brought up strategic planning before, to me that seemed impossible that that had never happened.

CHRIS GENTRY: I agree.

BLOOD: Well, here's my other question. It seems impossible that email is something that just recently happened. Why? Why?

CHRIS GENTRY: I don't know the answer to that question, Senator, I'm sorry. I-- I've been-- I'm new on the committee, so I don't know.

BLOOD: I apologize for putting you in that spot since you're--

CHRIS GENTRY: That's, OK. I'm-- I don't know why email was not earlier done. It is-- it is there now and we're happy to have it.

BLOOD: But it will definitely be cost savings in the long run.

CHRIS GENTRY: Yes.

BLOOD: Thank you.

CHRIS GENTRY: You're welcome.

HALLORAN: Thank you, Senator Blood. Any further questions from the committee? Seeing none, Mr. Gentry, thank you.

CHRIS GENTRY: Thank you.

HALLORAN: Any further opponents? Good afternoon.

BETH BAZYN FERRELL: Good afternoon, Chairman Halloran, members of the committee. For the record, my name is Beth, B-e-t-h, Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials. I'm appearing here in opposition to LB1165. The sheriffs, Sheriff Henery, Sheriff Wrede and Sheriff Matchett have really described the reason that we are opposed to this bill. We're concerned about the burden that it would placed on counties sheriffs who may not have the personnel, the time or the expertise to do the things that the Brand Committee is doing right now with the brand inspectors. And

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we also have a concern that it could translate into property taxes. I would be happy to answer questions.

HALLORAN: OK. Brevity is the soul of wit, so congratulations. Are there any questions from the committee? Seeing none, thank you so much. Any other opponents, please. Good afternoon.

JOHN HANSEN: Good afternoon, Chairman Halloran, and members of the Agriculture Committee. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I am the president of Nebraska Farmers Union. We have about 4,000 farm and ranch families that we represent across the state. We are a certified USDA beef nominating organization that nominates to the National Beef Promotion Board. We represent a lot of cow-calf producers, some feedlot folks. The conversation that you've heard this afternoon is not a new one to me or my organization. And our policy that is set by our members at the end of the day is that we are still in strong support of the brand system. And I think system is the keyword. It is a system. And the system, for the most part, and we can argue about how cost effective it is, works for the most part. And so it-- it is a deterrent. I thought Mr. Gentry hit a-- an important point. So we're-- the fact that the system is in place and it works and that we don't have a lot of cattle thefts, I'm thinking that looks like victory. I think that's a good thing. And so it is an effective deterrent. We don't look at most other law enforcement in terms of a cost benefit ratio. I'm not sure that it's cost effective for the police department to get involved in taking down and pursuing the graffiti signs from gangs in urban neighborhoods. I don't think that's-- I'm not sure that there is a cost-benefit ratio there, but it's an important thing for the overall benefit of the community. And so it is with a lot of law enforcement issues. So from our perspective, this bill goes too far, too fast, and doesn't have very much, if any, broad-based stakeholder involvement. I think that if we're going to do something anywhere near as radical as this bill would propose to do, that there needs to be a lot more stakeholder engagement. That should include the Nebraska Brand Commission, should-- should include the Ag Committee, should include all the stakeholders who represent all of the folks across the state, including all the other organizations. We have Independent Cattlemen of Nebraska, Nebraska Farmers Union. Lot of times these discussions go on and they don't include us. They don't include all the other stakeholders, including WIFE or Grange. So I think that there needs to be a conversation that's had. There needs to be more cost effectiveness. But having done this for-- for 30 years, this is not my

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first rodeo. And it is not my first dustup with the brand issue. And so when we were pushing for a long time for the Brand Commission to update the technology and one of the arguments against updating the technology is the lack of broadband connectivity and saying, well, yeah, we're gonna, you know, you're going to be standing out there in the middle of a yard and you're trying to do your reports and guess what? You know, you don't have connectivity. So the-- the fact that the costs of the technology have far exceeded what the estimates were, I must say, while it was really disappointing, is consistent with every other technology update in every other organization or entity that I've ever been involved in. I've never had one that came in under budget, ever. And so these things happen. It is a long-term investment and I do think that you have to look at it more as a long term. It's also a generational issue where it is the hiring of newer, younger folks who are more familiar with and comfortable with the technology, so there is a transition that needs to happen. I don't see, frankly, the benefits of moving this into the Department of Ag. And with that, I'd close my comments and answer any questions in the off-chance that I could.

HALLORAN: Thank you, Mr. Hansen, for recognizing the red light. I thought I'd let the sheriffs go through the yellow, I wasn't going to let you go through the red light.

JOHN HANSEN: I-- I was-- I was afraid of-- of some sort of fairly punitive action.

HALLORAN: Any questions from the committee? Seeing none, thank you, Mr. Hansen.

JOHN HANSEN: You bet. Thank you.

HALLORAN: Any additional opponents? Good afternoon.

DON CAIN: Good afternoon, Senator. My name is Don Cain, D-o-n C-a-i-n. I'm a veterinarian in Broken Bow, Nebraska, a fifth generation cattleman with my son and daughter active in the operation. I also was the president of the local Nebraska Cattlemen's organization during the merger and a two-term president during that time. Currently, I'm on the membership of the Independent Cattlemen of Nebraska, or ICON, and of course, we oppose this. It's interesting that they call this the nuclear bill. I think it's kind of funny. But just within Custer County, the second person that testified was my neighbor. We own

property side by side. I have 800 cows, he has hundred thousand feedlot animals. And the brand inspection is good for our area because as the gentleman before says, it not only returns animals, but it's creation of order and its intimidation are very substantial. As I was driving here my GPS as I got close to Lincoln says, attention, speed trap, attention, speed trap. Everybody slowed down. Now I didn't see any tickets, and our sheriffs here are telling you that we understand intimidation. We understand the law and we don't got time to do this. And we have inspectors that are professionals that know how to do this. This bill is flawed. It's flawed in concept and content and I'll start out by reading the statute that's not in the bill, 51-11123 says no person other than the owner of livestock shall sell or offer for sale or other dispose of livestock unless they have a bill of sale, power of attorney or other such evidence of ownership. It does not require a brand to sell animal, but it does require proof of ownership. Then I'll refer you to page 13 within the bill, line 11. A recorded brand is prima facie evidence of ownership. That means it's like in your face. And these guys that are enforcing it, like that because they don't have to include an attorney. They don't have to include a neighbor. They can see right there it's done. It's ownership. And that's again where the the order comes in. In our area we had this thing called the bomb cyclone this last year. Cattle were mixed up all over the place. A lot of cattle, thousands of cattle throughout the state of Nebraska got returned to their rightful owner without needing the Brand Committee's assistance because it is the order of the state. And I think that order needs to be maintained. If you do go on further, I think page 5 has to be amended, page 5, Section 5. We call this on 11 to modernize it. I don't think that's a good word. I think you should just eliminate that word, modernize, because that implies you're going to spend money and we don't want to spend money. And then you better strike lines 14-- or 17, 18 and most 19 and then amend line 12 to say that it eliminates a competitive disadvantage of impacting a segment of the cattle industry, because as a person on the Independent Cattlemen of Nebraska, we represent the mother cow. The mother cow is the most sustainable and the only regenerative segment of the beef industry. OK. And we don't have a bill of sale on the calves that we produce. That's why we brand. And when we get mixed up, that's why we like that ownership. Another thing that hasn't been brought up is brand inspection is third party verification of ownership. In a day, we want third party verification

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of so many different things, we have it in the state. And we should just maintain it.

HALLORAN: Thank you, Mr. Cain. Your time is up.

DON CAIN: Thank you.

HALLORAN: Are the questions from the committee? Seeing none, thank you, sir, for your testimony. Appreciate it. Are there any proponents remaining for the bill? Are there any remaining opponents for LB1165? Anyone in the neutral capacity? Seeing none, Senator Stinner, you're welcome to close.

_____ : Sir, I have a question.

HALLORAN: OK.

_____ : Seems there was emails sent in and because of Presidents Day, will those emails be read?

HALLORAN: Yes, we have a list of-- of letters and emails that came in.

_____ : Thank you.

HALLORAN: Opposed letter. A letter of opposition from the Nebraska State Grange. Letter of opposition International Livestock Identification Association. Yep, that's it. Thank you. Senator Stinner.

STINNER: Thank you. I won't take too much time. We're closing in on nightfall. First of all, I want to thank all the testifiers for coming, both opposed as well as proponents. I do appreciate the comments. What-- what my mission is, I need a way forward. I need a way forward that makes sense fiscally and made-- a way forward that really makes sense for the industry as well. Kansas sent me a letter and I'm just going to read just a little bit of it. Kansas maintains a registry of more than 17,000 brands. However, there is no mandatory inspection areas in Kansas. Today, sale barns can request inspection and some do. Per head fees collected at those sale barns to have an inspector present on sale day. Their job is to look for anything out of the ordinary based on brands that are present. Brand inspectors are provided through the Kansas Department of Agriculture to those livestock markets that choose to provide inspection. Kansas also has two investigators for livestock and pharma-- pharmaceutical theft. CLA

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supports this move because it provides support to local authorities to investigate and prosecute livestock theft cases and we feel that's been successful. That might be a way forward. We talk a little bit about privatization. That might be something that we need to have further discussions on. Here's a little factoid for just kind of get some balance in this whole thing. The state of Nebraska, right now the Department of Agriculture spends \$2 million a year on animal health. We're spending 5 to \$6 million a year on identification and enforcement and inspection. Little out of balance. The other thing I want to bring up in mandatory fees I'm not a big fan of, but I understand you have to have it. We're going to do this. But in 2015, we went from 75 cents to a buck 10. Do the math. Now they're asking in 2020 to go to a buck and a half. That's a lot. That's a lot to bear for the livestock producer out there. I know there's another bill behind me, so I'll just conclude by thanking the committee for their patience, thanking the testifiers for their input, and with that, I'll take any questions.

HALLORAN: OK. Thank you, Senator. Any questions? I think we're questioned out. Thank you, Senator Stinner. All right, that concludes the hearing for LB1165. We will proceed to LB1200 sponsored by Senator Tom Brewer. Good afternoon, Senator.

BREWER: Good afternoon. This is a welcome change from the Education Committee. I was not able to hear all of the testimony on LB1165 so if some of this is repeat, I apologize for this. Thank you, Chairman Halloran, and good afternoon, fellow senators of the Ag Committee. I'm Senator Tom Brewer. That's T-o-m B-r-e-w-e-r. I represent 13 counties of the 43rd Legislative District in western Nebraska. I'm here today to introduce LB1200. I'm introducing this bill on behalf of the Nebraska Brand Committee as well as livestock producers not only of the 43rd District, but across Nebraska. Brand restoration inspection have long been part of Nebraska, even before we were a state. The Brand Committee that-- as we know it today was formed by the Sixty-Seventh Legislature in 1941. The Brand Committee's purpose is to register brands, inspect cattle, and investigate missing or stolen livestock. It has been a vital part of livestock operations ever since the brand area was conceived in 1941. LB1165, the bill that you just heard from Senator Stinner, will do away with the Brand Committee. I personally feel this is unacceptable and that has been the emotion and feelings of those of my constituents. On the other hand, there is an argument that something needs to change with how the Brand Committee operates. LB1200 makes a number of changes to the Nebraska Brand

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Committee, which you will hear about from many other folks after I testify. I will be working closely with the Ag Committee to nail down some of the details of this bill and I'm open for amendments. In the three years that I have been in the Legislature, there has never been an issue that has caused my constituents to contact me as much as this one. It has been a painful last 96 hours working through all the concerns from all the different people. This bill affects an incredibly important part of our state's economy so we have to get it right and make sure that everyone's voice is heard and all the stakeholders are included in this discussion. Joining us today is John Widdowson, the Chairman of the Nebraska Brand Committee. I have worked closely with John and his team on this bill. He will be able to answer many questions that you have in much more detail than I can. I believe that there are also a number of farm and ranch organizations and producers who will testify also today. They have a wealth of knowledge on this subject and I encourage you to ask as many questions as possible. With that opening, I would be happy to answer any questions that you have.

HALLORAN: Thank you, Senator Brewer. Any questions from the committee?

BRANDT: Thank you, Chairman Halloran. Thank you, Senator Brewer, for bringing this bill. Real quick question: in the notes here-- when I was reading through this last night, were you guys bringing an amendment to finalize the costs of-- I think the feedlots or is it-- there was a note somewhere that said you guys may be bringing an amendment?

BREWER: That is correct. We've had a discussion on it. The problem is most of the discussions and movement have happened in the last 96 hours and there was no way to have a product that we could bring before you. And I wasn't going to bring you promises. I think part of what needs to be discussed today is to crunch those numbers. I think Senator Stinner has a valid point in that if you manage an organization, you, you do need to build-- to have a set of books that probably carry out a projection so you can see, if you continue on the pace that you're at, how the organization is going to be in two, four, or even six years. And we owe it to the, to the taxpayers to, to have that. And I, I do understand the concern in that we take a snapshot on a year that there's a lot of expense and then we carry that out and it gives a false perception of where we're going to be. So part of what I think needs to be discussed today, and, and I think John's prepared to answer some of those questions, is the amount that we have in income

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and amount we have in outcome; what is that and, and what, what glide path we are on right now? And if we make adjustments, how does that affect it?

BRANDT: All right, thank you.

HALLORAN: Thank you, Senator Brandt. Any further questions? Seeing none, thank you, sir.

BREWER: I'll be sticking around.

HALLORAN: Would you, please?

BREWER: Yeah.

HALLORAN: Well, I have a question on LB1200. How many people will be testifying proponent? OK. How many opponent? OK. We will do the same as we did it on LB1165. We'll have the proponents on your left as you come forward and opponents on your right as you come forward. So if you keep those chairs populated, that would be helpful, moving things along. All right, we will start with proponents. So if you would like to start sir? Good afternoon.

JOHN WIDDOWSON: Good afternoon, Senator Holloran, members of the Agriculture Committee. I am John Widdowson, J-o-h-n W-i-d-d-o-w-s-o-n. I am the executive director of the Nebraska Brand Committee and I will be testifying on the committee's behalf. Nebraska Brand Committee thanks Senator Brewer for carrying this bill to help the committee better serve the cattle producers within the inspection area and those across the state utilizing brand recording and the investigation arms of the Brand Committee. LB1200 modernizes the Brand Act and it recalibrates the past fee schedule to provide more options to producers in adapting to new technologies as they become available. The committee has heard from stakeholders over the past three to four years in regards to their concerns about the equity of services and fees. We've tried to listen to all stakeholders and find ways to address their concerns while maintaining the integrity and verifying ownership of cattle through the inspection process within the inspection area. It has been the goal of the Brand Committee by some of the changes in LB1200-- it is to take the committee and the Legislature out of the friction between sectors of the industry by using-- by utilizing technologies that can be evidence of ownership for those who have already adopted those technologies or by continuing to use the hot iron and freeze brand if that producer so chooses. It

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is designed to allow more options to producers to determine the cost benefit for their business based upon the services they so choose to use. We want to end the discussion of one sector subsidizing another by having each type of service having a fee structure that covers that service. Nebraska Brand Committee focused on generating a small margin on the statute-required activity-- for example, inspection and audits-- and shifting more profit margin to the voluntary brand recording statewide or perhaps nationwide. You will note that the fees in LB1200 are no more than-- or in other words, are maximum fees allowed. We suggest those maximums as a seven to ten-year plan to avoid coming back to the Legislature to increase those maximums. The committee has a long history of holding fees at the lowest possible needed for solvency and even lowering them if we generate more revenue than predicted. The committee welcomed the challenge from Senator Stinner on the fiscal viability. It has forced the committee to focus on financial security. The committee has hired K-COE Isom accounting firm to validate the numbers that we are using. They've helped establish a structure to develop a cost of services. They will be testifying today on their process and they will cover the current model of revenue and expenses. I would be remiss if I also didn't thank Senator Blood for encouraging us to develop a strategic plan. We have done that and we look forward to that keeping us on track. The committee is dedicated to being more efficient in services and adding value to producers. Technology will be the key to efficiencies, but also provide better management. We are also asking producers to be more efficient with the committee resources as well. One of the important parts of LB1200 is the addition of the ability of the investigators to write a "waiverable" citation for infractions of the Brand Act. As it is now, they can only give an oral or written warning or turn the case over to the county attorney for prosecution. It is the committee's mandate to protect the interests of livestock owners in this state and nothing in LB1200 erodes the need for verification of ownership by inspections. We will never waiver from that. We at the Nebraska Brand Committee urge the Agricultural Committee to move LB1200 ahead. The issues that have brought all of this activity this year are not going away and the pressure for a more equitable system will only increase in time. Thank you for your time and I will be glad to take your questions.

HALLORAN: Thank you, Mr. Widdowson. Are there questions from the committee? Senator Hansen.

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B. HANSEN: Thank you. I always like to ask the hard-hitting questions and in essence of time, can you tell me about cow noseprints? I thought that was fascinating how each cow has a unique noseprint, like a fingerprint. Does that mean we do not need to brand-- that's the way that they find out now which cow is whose? I thought, I thought it was interesting and someone was just telling me about that so I would like a brief.

JOHN WIDDOWSON: Yep, it is-- thank you for the question, Senator. It is actually a noseprint of the nose where you actually put dye on the nose and you run a piece of paper up the actual nose and you get a print. They say that they're more accurate than a fingerprint. So this, this system or this technology is used, like, at county fairs and shows where they want to make sure that the true identifier of that animal is what it is. It's a quick deal and it's not a permanent deal that maybe affects the animals that will show a ring-type deal.

B. HANSEN: Thanks.

HALLORAN: Yes, Senator Lathrop.

LATHROP: This is my eighth year on this committee. It seems like this topic comes up a lot and I may not fully understand it, but I've got a question. We have a line that goes through the state from north to south somewhere and the people on one side of it, the eastern half, don't have to do any of this brand inspection, am I right?

JOHN WIDDOWSON: That is correct.

LATHROP: And on the western side, they do. And what I hear is-- I mean, I'm a city guy, OK? But what I hear is the people on the eastern side are fine not having the inspection. And I don't hear those people on the eastern side coming into this committee and saying my cattle are getting stolen, right? People on the western side, some of them don't want this, but they-- typically, it's the folks on the western side of that line that we just talked about that come in and say we should have it. And I don't understand what's compelling about continuing this when the people on the eastern side that don't have it think it's unnecessary. Can you help me out?

JOHN WIDDOWSON: Sure. Well, number one, I don't think any of us can quantify what the loss of estrays or stolen cattle is on the east side because we don't have a system in place to check that.

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LATHROP: But don't you think the people on the eastern side have already taken that into account?

JOHN WIDDOWSON: Sure, Senator, but I think in previous testimony, over a third of our investigative time and resources go to the eastern side where there is no inspection. So we are spending time and resources investigating estrays and lost and stolen cattle over there. So it's not like there is zero over there. And the number of cattle and number of transactions from the brand line west would be quite higher.

LATHROP: How many-- is the, is the-- are the cattle inspected in the inspection area? Are they inspected every time they transfer?

JOHN WIDDOWSON: So the statute reads if you leave the brand inspection area, which would be go east of the line or go out of the state or there's a transfer of ownership, those are the two requirements that trigger a brand inspection. So if you have cattle on your ranch and you just move them within your ranch or within the brand inspection area, there's-- no inspection would be required.

LATHROP: But why is it that people on the east side-- and I'm generalizing-- I, I understand this gentleman from Cuming County still likes the idea. But predominantly, the people on the east side aren't complaining that their animals are being stolen and that we need to extend brand inspection all the way to the Missouri River.

JOHN WIDDOWSON: You know, it's a, it's a great question, Senator. And in 1941 when they established the line, the line was already there. The Stock Growers was a voluntary organization that established that line. And so when the Brand Act came into place in 1941, they just continued to use that line. I wish-- and I would think a lot of people in this room would say-- I wish they had just done the whole state at that point in time because we've eliminated a lot of these conversations. But we are dealing with the rules and the statutes that were derived in 1941 and that's what we're playing with today.

LATHROP: OK, I appreciate that. I'll just say for the people that are going to testify, that's kind of what I'm wondering about. Why are, why are we continuing this process when the people that don't have it aren't really complaining?

JOHN WIDDOWSON: I think the people that feel like the value of brand inspection in their area by far outweigh the people that don't.

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LATHROP: OK, thank you.

HALLORAN: Thank you, Senator Lathrop. Any further questions? Yes, Senator Moser.

MOSER: I haven't been keeping score. It's been a long afternoon, but do the cow-calf guys primarily support the Brand Committee and the feeder guys don't?

JOHN WIDDOWSON: Thank you for the question, Senator. As the Brand Committee chairman and executive director, we have the conversation all the time. We don't, we don't really look at producers by what kind of sector they're in. We represent them all. And so we are trying to establish, in LB1200, a fee schedule that represents the fee or the service that we're providing. And whoever uses that service, we don't-- whether you're in the feeding sector or you're the cow-calf-- you're a backgrounder, you're in the grow yard business, we don't care. We just want the fee to be representative of the service that we provide and let the producers pick and choose on a cost-benefit analogy for their, for their own business. Let, let them decide what they want to spend and what their green is.

MOSER: All right, so I'd say you don't have an opinion on that. So let's go back to the guy that said he's paying \$125,000 for inspection fees in his feed yard. What would he pay in your new system that you're proposing?

JOHN WIDDOWSON: Sure, so it would be a-- considerably less because it would be based upon-- there is a, a audit frequency scale. So there would be a minimum of four audits with the smaller feed yards and as you grow-- go up in, in size based on--

MOSER: Let's talk, let's talk about this big one.

JOHN WIDDOWSON: OK, sure.

MOSER: [INAUDIBLE]

JOHN WIDDOWSON: Sure, absolutely. To answer your question, if his one-time capacity is \$125,000 a head, he's paying \$125,000 today. With the new audit fee schedule and the audit fees, he's going to be paying less than \$10,000. So he's going to pay-- in the old system-- in the

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previous statute, he was going to pay \$125,000. With what we're proposing in the caps and LB1200, he'll pay less than \$10,000.

MOSER: Is there more annoyance with this new system? Is there more work involved or more intrusion in their business or anything that is going to make them less comfortable with LB1200?

JOHN WIDDOWSON: You know, we, we will audit those, those feed yards more frequently than we had in the past. But we're also adding potential grow yards or more head count to them. So again, everything that we do starts with the integrity of what we provide. And every piece of evidence of ownership that we look at or contemplate, whether it's-- it'll work or not, starts from a court of law and works backwards. So we've reached out to people and looked and we've equated how many times or the frequency level that we need to audit the number of head counts to make sure that we are comfortable-- that we are doing a proper job of auditing that correctly. So there will be a higher frequency of audits than in the previous, but that is for the protection and the verification of ownership to make sure that we're covering our, our statute. As the Nebraska Brand Committee, we are liable to make sure that that is, that is the case.

MOSER: Are there-- are some fees in this new system that are going up since we're getting emails from some producers that are saying that the fees are increasing and that's one of the reasons they oppose LB1200?

JOHN WIDDOWSON: Great question, Senator, and thank you for asking that. As I said in my testimony, it's a recalibration. So we are dropping fees in certain services, but we're also increasing fees in others. It's a recalibration. I think you heard testimony that, that I had said that for-- our breakeven on a local inspection is \$1.33. We're charging \$1 right now so for every inspection that we do, we're losing 33 cents. We have statutory authority to go up to \$1.10. The question is why haven't the committee gone up to \$1.10? Because the way the current statute is wrote, the registered feed yards are tied to the same cost structure in local inspections. So if this fee is already out of line-- out of balance for the service we're providing by-- us going up to \$1.10 only makes that worse so we're recalibrating it. Based upon our new fee schedule, if every fee is going to cover its own cost of services, some of those fees were below breakeven. So to answer your question in a long way, we had to raise fees to make sure we covered our cost to be fiscally viable moving forward. And

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another thing is mileage. On an annual basis, we lose \$350,000/year on mileage.

MOSER: Are your, are your-- OK, let's go to a different topic. Are your costs higher since you're a government agency than if you were independently run?

JOHN WIDDOWSON: Yes, sir. Yes, Senator, yes we are.

MOSER: So you're required to do more things as a government agency than you would be as a private brand inspection?

JOHN WIDDOWSON: Yeah, just one small example-- and I think the question was-- Senator Blood asked why we just now got emails. You know, we can go out there and get a Gmail account pretty cheap for everybody, if not free. And now we have an ne.gov email account that's, like, \$30, \$30/month for every employee. And that's something that we have to do by statute because we're a state agency. So those are costs that because we are a state agency, that we could, we could-- those costs could be much cheaper if it was privatized, yes.

MOSER: So what if the Legislature cut you loose? Would, would you be opposed to that you think? That kind of puts you on the spot, but--

JOHN WIDDOWSON: You know, the committee is made up of five producers who are representative of the, the body of producers. I think nobody in here likes-- nobody would say that they want more governmental control. So the reduction of government control, I think everybody would agree would be better, but you have to have some at some level to make the playing field level. I mean, you have to have some jurisdiction to back up what you're trying to provide. The cattle industry is our number one industry in the state of Nebraska.

MOSER: OK, thank you very much.

HALLORAN: Any further questions? Is that a yes?

B. HANSEN: Yes.

HALLORAN: Senator Hansen, please.

B. HANSEN: Thank you for actually coming in and answering these questions. I was a little confused now from what Senator Moser said.

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So someone who is paying, you know, for all intents and purposes, \$125,000, now he will pay \$10,000?

JOHN WIDDOWSON: Based upon the new, the new schedule that we have proposed in LB1200, yes.

B. HANSEN: And does that money that you're going to be losing from that now, does that come from just the increase in the per-head charge or fee?

JOHN WIDDOWSON: Yep, it's just a, it's just a, you know-- a recalibration of each fee service is going to now cover itself. So if we were losing money on the local inspection side and now that, that, that service is going to cover its own cost, we're not losing money there. And then we're also, you know, we're going to start charging mileage and that's going to help with the, the loss there.

B. HANSEN: That makes sense. And then before-- how many-- like you said, the more audits you're going to do, the bigger the, the bigger the-- the more head they have, right?

JOHN WIDDOWSON: That's correct.

B. HANSEN: So how, how is it different than before where you're doing more-- like, maybe one audit a year or is it still based on size?

JOHN WIDDOWSON: We were-- thank you for the question, Senator. We were doing a minimum of four audits per year for everybody. But then at our discretion, we were then doing more audits where, where the agency felt needed. But at that point in time, we weren't charging based upon the number of times we were there. It was just a fixed cost based upon your number or head count. So obviously, the, the larger feed yards would require-- we would require more time to go through the number of, of, of documents to make sure that they were accurate.

B. HANSEN: Because you're charging I think \$600 an audit now?

JOHN WIDDOWSON: That's, that's the cap, yep.

B. HANSEN: What was it before?

JOHN WIDDOWSON: Well, it was just-- oh, it was--

B. HANSEN: A one-time fee?

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JOHN WIDDOWSON: --a one-time fee on a one-time capacity, yep-- at the same price as our, our inspection fee.

B. HANSEN: OK, cool. Thanks, I appreciate it.

HALLORAN: OK, thank you. Senator Brandt.

BRANDT: Thank you, Mr. Widdowson. I've got one quick question on mileage and I see you're, you're trying to go to a per-mile basis. Is that correct?

JOHN WIDDOWSON: That's correct, Senator, yep.

BRANDT: Is that fair to a producer who's 50 miles away from the office and the other producer is ten miles away from the office and there, but for the grace of God, is where the office is at? Wouldn't it be more appropriate just to charge a flat, a flat mileage assessment as opposed to a per-mile fee? Wouldn't that be the fairest way to treat everybody?

JOHN WIDDOWSON: Great question, Senator, and we've, we've spent agonizing hours over that. Right now, we are on a surcharge, which is just a, a flat fee for everybody.

BRANDT: Right.

JOHN WIDDOWSON: The argument that you were-- you're bringing or the question that you're bringing, we have that same argument with the current system we have. So currently, we're charging \$10 per surcharge. So somebody that lives six miles away from their inspector is paying \$10 and somebody that lives 60 miles away from their inspector is paying \$10. And so I think both sides, you can sit there and say that they're not equitable. The one thing I will say about mileage is that we do offer country inspection points. So if you're not happy with paying mileage, we have certain points, which are usually livestock auction markets or things like that, that you can actually haul your cattle there and not be charged the fee.

BRANDT: All right, thank you.

HALLORAN: Any further questions? A quick question: there's some confusion in my mind, at least in regards to grow yards. Is it, is it your intention or the Brand Committee's intention to require an inspection at the grow yard when animals enter the grow yard? Or do

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you mean that if animals have already been inspected at the auction or other point of origin, they do not need to be inspected again when they enter a grow yard?

JOHN WIDDOWSON: Thank you for the question, Chairman. The requirements that we had in previous statute, the same requirements apply for grow yards. We're just extending the, the arm of work where the registered feed yards can bring their cattle from. So if you come from the point of origin, you have to have either a brand inspection, bill of sale-- you have to have proof of evidence of ownership. And so that requirement is not changing. We're just pushing it out to the grow yards so that now a registered feed yard does not have to inspect their cattle. It was-- their grow yard coming to their RFL. So we're extending that out there for, for the RFLs.

HALLORAN: So let me make sure I understand and it's clear of-- so from an auction house, there may be an inspection to go to a grow yard initially, but then if it goes from the grow yard to the feedlot, there won't be an additional inspection?

JOHN WIDDOWSON: That is correct. So if they are coming from the point of origin, whether it's an auction market, video auction, wherever-- the point of origin directly to the grow yard, you're going to then have either a brand inspection paper, a bill of sale, or a health certificate and that will be enough evidence to get into that grow yard without an inspection. Now if they go somewhere prior from the point of origin and they get commingled with other cattle, that will then trigger an inspection. So the key component there is if they're ever commingled prior to the point or in between.

HALLORAN: Ok, I wouldn't-- I'm not trying to get that deep into it with that. But I'm just saying with, with a purchaser of livestock and they purchase it at an auction house or some other origin and they go to a, a, a grow yard-- take it to their grow yard, they'll need to have an inspection?

JOHN WIDDOWSON: If they go from Ogallala Livestock Market and they go directly to the grow yard, there will not be another inspection required.

HALLORAN: OK, but there's an-- when does the first inspection have to take place?

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JOHN WIDDOWSON: The inspection would take place at the livestock market because the--

HALLORAN: OK.

JOHN WIDDOWSON: --because of the change of ownership.

HALLORAN: It's a free pass. It should be in my information--

JOHN WIDDOWSON: Yep.

HALLORAN: --a free pass with no more inspections as long as ownership doesn't change, right, from the auction or source of origin to the grow yard, from the grow yard to the feed yard?

JOHN WIDDOWSON: We have in the requirements that that grow yard needs to be 100 percent controlled by that RFL. But that is something that the committee, I think, through conversations with stakeholders, could be worked on and could be amended.

HALLORAN: What I'm worried about is multiple layering of inspection.

JOHN WIDDOWSON: That's what we're eliminating with adding the grow yards to the equation.

HALLORAN: Any further questions? All right, thank you, sir.

MELODY BENJAMIN: Once again, thank you, Chairman Halloran and members of the Agriculture Committee for allowing me to testify on LB1200. I'm Melody Benjamin, M-e-l-o-d-y B-e-n-j-a-m-i-n. I am on the staff for Nebraska Cattlemen and I am testifying on behalf of the association in support of LB1200. In 1888, forward-thinking cattlemen came together to form Nebraska Stock Growers for the purpose of establishing rules for registering a hot iron brand, setting standards, and hiring inspectors to ensure the rightful ownership-- owners were paid for cattle and market. In 1939, Nebraska Supreme Court ruled that the Stock Growers could no longer run this system as a mandatory inspection, that it was in violation of the constitution and the Brand Committee was formed as a cash-funded noncode agency and started their actions in 1941. Nebraska Stock Growers joined with other groups to become the Nebraska Cattlemen 100 years after its formation. In our organization, we have all types and sizes of producers, from seed stock to cow-calf producers to small feeders and large feeders. Our smallest member has three head of cattle and our largest member has

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several hundred-- or several tens of thousands on feed. Over the years, we have learned that the perspectives of different-- is different among segments, but by working together, we can come to compromises that gives everyone something in the outcome. We see LB1200 as that compromise bill and thank Nebraska Brand Committee for endeavoring to find solutions for all stakeholders. Over the past 12 years, Nebraska Cattlemen has had three task forces and one subcommittee to look at policy and how to treat all our members in an equitable manner. We have large feedlots, small feedlots, registered feedlots and unregistered feedlots, cow-calf producers from across the inspection area and beyond, seedstock producers, livestock auction markets, bankers, and Brand Committee members come together to provide input to help us establish the policies that we hope are as forward thinking as our predecessors were 132 years ago. Some of that policy expressed the need for modernization of the Brand Act. Adopting the electronic recording of inspections was the first step in developing data that gives the committee insight into the things they need to manage and the Brand Act was also needed to be modernized to keep pace with an ever-changing industry and maintain the speed of commerce. For example, the feeding industry was developed since 1941 when the Brand Act was enacted. Those feedlots have specific constraints that have been addressed in the registered feedlot program and many of these feedlots have adopted technologies that in their situation, makes brand inspection unnecessary for their needs. They, however, are paying a disproportional part of the revenue to the Nebraska Brand Committee for the expenses to the committee that are acquired through the audit of the registered feedlots. Fees on the recording activity of the Nebraska Brand Committee has remained ridiculously low in comparison to surrounding states. No one is required to register a brand in the state of Nebraska. No one is required to renew their brand. Furthermore, brand recording is done statewide and is not just in the inspection area. It makes sense to charge more on these voluntary activities in order to keep the mandatory inspection fees at a reasonable level. Most people feel there is an intrinsic value in their brand and that makes it quite acceptable. Nebraska Cattlemen thanks Senator Brewer for introducing LB1200. No one understands contentiousness of this issue more than the members of Nebraska Cattlemen and we also thank Senator Stinner for introducing LB1165 to start a lot of needed conversation. We support LB1200 and it moving forward. It doesn't go as far as some of our members were asking for, it makes changes-- it has cost-- more cost to some of our members, but they rely on the inspection activities to ensure the stray and lost

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cattle are returned to them. Thank you for your time and I'll answer any questions you might have.

HALLORAN: Thank you. Are there any questions from the committee? I have a quick question--

MELODY BENJAMIN: Sure.

HALLORAN: --that I should have asked Mr. Widdowson. But in the fiscal note narrative that's been discussed some, you have an-- estimated revenues of \$6.33 million and expenditures of \$5.7 million for the first year. That's about \$630,000 more revenue than expenditures, which ordinarily is a positive thing, but why, why are you overestimating?

MELODY BENJAMIN: And as I understand it-- yeah, that probably is a better question for Mr. Widdowson. But as I understand it, they used those maximum allowed fees for that fiscal note. And I know they have no intention of charging at that maximum allowed. They, they wouldn't keep those fees much farther than that, but they also don't want to come back next year and say, oh, we miscalculated.

HALLORAN: Thank you.

MELODY BENJAMIN: Um-hum.

HALLORAN: All right, thank you so much. Next proponent and then we'll go to opponents. Don't fight over it. You'll have to arm wrestle. Good afternoon.

BRENDA MASEK: Good afternoon, excuse me, good afternoon, Chairman Halloran, and good afternoon to the, to the Agriculture Committee. Thank you very much for your dedication and time that you have dedicated to this state and thank you for hearing my testimony. My name is Brenda Masek, M-a--- excuse me, B-r-e-n-d-a M-a-s-e-k. I'm a cow-calf producer from Purdum, Nebraska, which is in the brand inspection area. I am also the vice president of the Nebraska Cattlemen, but today I am testifying on my own behalf as a cow-calf producer in support of LB1200. First of all, I would very much like to thank Senator Brewer for introducing this legislation. Truly, our industry is sought-- has sought a compromise on this very contentious issue for decades. This is not an easy issue. The Nebraska cattle industry thanks Senator Brewer very much for helping us tackle this head-on. I'd also like to thank the Nebraska Brand Committee for the

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work they've done with Senator Brewer. The brand inspection is essential to my part of the state. However, the system is in need of some modernization. LB1200 strengthens Nebraska brand inspection programs whilst striking a more equitable balance between different sectors of our industry here in Nebraska. I'd also like to thank Senator Stinner for forcing the industry to have this tough conversation. I firmly believe that the confrontation of this-- confronting these Brand Committee challenges head-on will lead to a more robust system for producers, but I, I firmly believe removing the brand inspection is not the right solution and brand inspection is essential to my operation. My business is no different from any other industry. Margins are figured by subtracting expenses from profit and dividing by the units out-- units produced. In agriculture, the margins are tight and some years, expenses outrun income. The loss of just one animal, whether it is due to a nefarious act of a dishonest entity, a innocent curiosity of animals, or the mechanical failure of fencing, it all adds-- or all tightens that margin. And knowing that the Brand Committee is working for me to insure my property will be returned to me by their diligence in inspection is extremely important to my business and therefore, I strongly support LB1200. I would like to address Senator Lathrop's question, but I'll, I'll-- I see I have a yellow light so thank you very much for your consideration and I will be happy and encourage any questions you have for me.

HALLORAN: Thank you so much for your testimony. Senator Blood.

BLOOD: Thank you, Chairman Halloran, and how are you today, Brenda?

BRENDA MASEK: Very good. How are you, ma'am?

BLOOD: I am well, thank you. So you were talking about margins and I'm curious. Have you ever lost cattle from theft or maybe something that strayed away?

BRENDA MASEK: Yes, both.

BLOOD: Can you just give me a brief rundown?

BRENDA MASEK: Sure, sure. Oh, I don't know how many times I've had my neighbors call up and say, hey, we ended up at the sale barn, one of these steers are yours. I'm going to say-- I mean, I'm-- probably not ten times, but it's probably been five and I've got a steer back. On the theft, I was missing a bull one time. I pretty much knew where the bull was. Actually a neighbor, a coyote hunter knew-- had told me

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where the bull was. But I wasn't going to trespass onto someone else and go get my bull back. So I went through the proper channels with the Brand Committee and reported it, said I have a bull missing, pretty sure I know where it is. So we live in a pretty small town in Purdum. Everybody knows when there's this-- you know, a strange vehicle there, especially one with maybe official looking plates or, or logos on their door. Lo and behold, after that investigator was just around, all I had to do was go to the local feed store and hang around and make a little noise that, you know, that's what he was there for. Guess what? My bull came back the next day. And we've also had many times, my-- I mean, I've taken-- almost every fall when I bring my cattle in to precondition them and get ready for weaning, I always have a calf or two of my neighbor's. And we know by brands that normally, we can do it by ourselves. But last year, I did have a calf that came a remarkable distance for a baby calf, like, six, at least six miles, and ended up in some cows of mine. And it took us two different tries with the Brand Commission-- the, the brand inspectors out to figure out who does this belong to? And we got it returned to its rightful owner.

BLOOD: Two more quick questions.

BRENDA MASEK: Absolutely.

BLOOD: One is more curiosity; Masek, that's a good Czech name.

BRENDA MASEK: Yes it is.

BLOOD: You're probably, what, third generation?

BRENDA MASEK: That's my married name. My husband is.

BLOOD: I'm also Czech so I always recognize-- we're, like, everywhere in Nebraska. And then I think now that Senator Lathrop is back, I would love to hear the answer to his question.

BRENDA MASEK: Sure. I don't know whether it will answer your, your question, Senator Lathrop, but I do have-- I can speak for me of why I believe that brand inspection probably helps me more than it might someone on the eastern side of the line. A lot of it will have to do with the size of pastures. In my, in my operation, it takes me ten to 14 acres to run one cow-calf pair a year. On the eastern side. I can't say what that is, but it's a whole lot less. They don't have the acres and the, the amount of miles to-- that your cattle roam on in the

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east. And a lot of times-- and also, they don't usually have the size of herds that we have in the, in the Sandhills of Nebraska. And they see their animals-- you know, they probably lay eyes on their animals every day or a lot of them do, where that's not possible with us. I mean, I'll have pastures-- I try to run pastures that are less than-- are 150 pair or less, but you don't count them every day. And a lot of people on the eastern side, I think-- you know, just the size of their herds and, and things, they have that ability. And also, there's-- and I know there's some of this issue when you get down on the, on the Missouri River, but on the western side, a lot of different parts are being-- they're having a real encroachment with cedar trees and they get lost in there. And they-- I mean, around-- different-- lots of different parts. I mean, Custer County has got a lot of cedar trees in it. You go down south to Dawson County, there's lots of different areas that they'll end up rounding up a bunch of cows-- I don't know who they are. They'll end up with a bunch of cattle at, at the Burwell sale barn once or twice a year and they don't know who they are. And they'll have the brand inspectors come in and usually most-- you know, they'll get them sorted out to the rightful owners. But sometimes if you have "slick-hided" cattle, you're not going to-- I mean, you might be able to-- by their, by their EI-- you know, if they have an EID or if they're-- just their visual ranch ID tags, you might be able to, to get them sorted out. But that's just-- I don't-- there's not a lot of people on, on the western side of the state, Senator, that wouldn't love to see it statewide. But we have this population problem where there's, there's more on the-- there's more voters on the eastern side and they-- and as, as John Widdowson said, they put this in in 1941. And if our cows could vote, we would vote in a statewide brand area, but they can't vote. So that's kind of the way, way it is.

LATHROP: I guess I'm grateful for that.

[LAUGHTER]

LATHROP: We could change that.

BRENDA MASEK: Could we? I'll help.

HALLORAN: Does that satisfy your question?

LATHROP: Yes.

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HALLORAN: OK, thank you, Senator. I have a quick question. So what if we would just kind of-- it's hard to do-- start from scratch, conceptually here, OK? You raise what kind of breed of cattle?

BRENDA MASEK: They're commercial cattle. They're Angus-based--

HALLORAN: Well, we're in a market-driven society and whatever we have for services or products, it's usually driven by the market, right? Who wants the service? How much they'll-- how much demand there is for it and how much, consequently, they'll pay for it kind of drives how much is produced or offered, right? So what if we just start from scratch and say, OK, there are a lot of people that want the brand inspection; want to keep it, see merit in it, see value in it. It's a great service for them. Well, if we quantify how many of those people there are and then, and then work-- look at the fees that we have in place now and/or the fees that we're looking at moving ahead with-- possibly with this bill-- and, and see how much revenue could be generated with those fees times the number of people that want to use it, right? See what the budget would look like and then work from that budget and say, OK, this is the-- with this budget, this is what we can provide for service-- some service relative to what brand inspection would be, right? Because now we're just working it the other way. I mean, we're, we're saying, well, OK, yeah, we're going to generate this amount of money and we're going to provide this service. But not all the players feel like they're getting a service, right? So maybe it's all cow-calf operators and that's OK. Maybe they-- I'm just trying this out hypothetically. Would you be interested in looking at something like that and seeing how it plays out; what it would look like and whether or not, whether or not the cow-calf operator would go along with that as an option? That was long and drawn out, I'm sorry.

BRENDA MASEK: That's OK. Thank you for the question. I would, I would probably say no. I don't think this system, as is, is that broken. I think it needs modernized [SIC]. I do not think the cow-calf sector would, would embrace that, Senator.

HALLORAN: OK. If you put yourself in the shoes of a feed yard owner, right? And they have not-- they've had inspection-- brand inspection year after year and they haven't been shown any measurable-- hardly measurable, quantified, stolen cattle or estrays, which is probably not common in the feed yards, how-- would you-- maybe this isn't a fair question, but they're being charged a lot.

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BRENDA MASEK: Oh, I agree, I agree. I am-- and that is one of the reasons that I am very proud of this bill. I'm very proud of Senator Brewer, very proud of the Brand Committee, and I am proud of the feedlot people and cow-calf people who worked together to bring this as one of the best compromises that's been seen in decades. And I do think that this-- I know there's going to be some people that are up opposing this that don't. But when you look at the whole scheme of things, I truly feel this is the best compromise that we can get. I, I fully understand that, that the feedlots have been paying way more than the, the services they're, they're getting. And I am more than happy to pay more than \$12.50/year to register my brand. These are-- as I do believe young Mr. Eisenhower said, that this is archaic. There are pieces of our Brand Committee that are, but it is because we have to come and waste the state and your all's time every time something needs to change. And that is one of the reasons that-- like, especially in these fee structures and I would like-- encourage to remind you that in these, this is a five--or excuse me, a seven to ten-year plan. These, these aren't going to take these jumps. And this, this committee has worked very hard to implement these, these electronic devices in it. They've worked a lot to get this, this, this Brand Committee into the twenty-first century and beyond and I think they're making wonderful strides. And I would really, really hate to see the legs cut out of them at this point.

HALLORAN: OK. Any other questions from the committee? Thank you.

BRENDA MASEK: Thank you.

HALLORAN: Now we shall switch to opponents. Good afternoon.

PETE LAPASEOTES: Good afternoon, Chairman Halloran and members of the Agricultural Committee. My name is Pete Lapaseotes, P-e-t-e L-a-p-a-s-e-o-t-e-s. I'm here today to oppose LB1200. I'm part of a family operation in Bridgeport, Nebraska. We operate two registered feedlots, which are smaller than the large ones. We have a cow-calf operation and we run yearling cattle on grass in the summertime and we also have a large irrigated farming operation. I want to thank you for allowing me to share my thoughts. I am a member of the Nebraska Cattlemen and have been against brand inspection as occurs-- currently exists for several years. I'm not here to try to bash the Brand Committee, but to try to come up with solutions that are equitable for all of the livestock producers in this state. Not having the entire state in the inspection or noninspection area is, in my eyes, totally

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not equal. The producers who live in the noninspected area certainly do not want to have brand inspection in their area. I'm a third-generation operator and have been involved with major changes in our agricultural practices over the years, with technology being in the forefront. I also have fourth and fifth-generation family members starting to make decisions in our operation. They often ask, why are we still branding? With all the technology that is available, surely there is a more humane way of identification. We have had from 1,000 to 1,500 cows every year for the past 15 years and have not branded our calves. We've had cows more than that, but we haven't branded our cows for that many years. I do brand my cows, however, for identification because they are out in the open ranges. The point being is in this time that I have not had any of the calves come up missing. We have had great relationships with our neighbors and if any grass cattle or cows get mixed together, we work it out to get every animal to the correct owner. I have sat in on several meetings over the past three months and have had several hours of conversations with group members from different livestock operations with our own perspectives and I do appreciate John Widdowson for being open to hearing all of the concerns. However, I don't believe LB1200 reflects the perspectives I shared at these meetings. Just raising fees to fit the need of the expenses is not good business. I cannot get away with that model when I sell cattle. The bigger opportunity is to figure out how do we ensure Nebraska can compete to the level playing field inside our borders and prepare as best we can for the future of our next generation's livelihood? I would ask the committee to let our two sides keep working on a solution that isn't based on higher fees, but reflects the way our ag sector will operate in the present and in the future. Please do not send this bill to the floor. Please send the message instead that you support our state's producers working together to find a commonsense solution for equality across the entire state. I will continue to work diligently with Cattlemen, ag groups, and senators to find the right proposal to bring forward. LB1200 is not it and we've see-- we, we need more time. Thank you for your time and I would be happy to answer any questions.

HALLORAN: Thank you so much. And you probably did, but would you mind respelling your name for the record?

PETE LAPASEOTES: Did I misspell it?

[LAUGHTER]

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HALLORAN: I doubt that you misspelled it, but I just want to make sure that we have it.

PETE LAPASEOTES: I might have because-- well, it's a long story. Pete, P-e-t-e, Lapaseotes, L-a-p-a-s-e-o-t-e-s.

HALLORAN: OK, thank you very much. I, I doubt that you misspelled it. Are there any questions from the committee? I appreciate your testimony.

PETE LAPASEOTES: Thank you.

HALLORAN: Next opponent, please.

JERRY ADAMS: I think I missed giving that to you before. Good afternoon.

HALLORAN: Good afternoon.

JERRY ADAMS: This is my second time up here and my name is much easier to spell. It's Jerry Adams, J-e-r-r-y A-d-a-m-s; much, much easier. A-d-a-m-s, right? OK, I want to talk about two topics. First, to answer your question, Senator Moser, on cost. And the second one is, is electronic tags. So to bridge, to bridge this idea of our costs being way down, they are lowering it to \$600 or something, but that's not the issue. The way the bill is written today and the way we talked to the Brand Committee earlier this week, they want to charge every animal that we have going through a grow lot a one-time \$1 or \$1.50. So instead of that 125 that I talked about before, \$125,000, it's a multiple because we've turned those cattle two or three times. So it is going to be a multiple of what we pay today so that bridges this dollar figure. And I think every one of the feedlots that we had today testifying has this same issue. So we're going to end up paying, not the \$125,000. We're going to end up paying a multiple of \$125,000 the way it's written today. So I help-- I think that helps bridge your question on that. The other-- I hope that does. The other question you commented-- you made, I really like. Let the cow-calf or whoever wants brands have the brands. Feedlots that don't use them, have any, have any use for it; take us out. I think that's a fair way to do it. The second topic I'd like to talk about is electronic tags. Electronic tags-- we have had electronic tags in every animal from 2008 till today. From the time we buy an animal, we put an electronic tag in the ear. We follow them clear through our production system to the packing plant. We do that for our production system. We do not do it for brand

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inspection. The electronic tags nationwide for disease control makes sense to me, but you can't do that in one, in one state. It's got to be the nation. And Greg Ibach-- talked to him the other day and he said that's not going to happen in the future. So electronic tags works for production. It does not work for brand inspection. Let's go-- let's walk through this. So the electronic tag is in the ear. Anybody can take and pull it out if they want to, but let's talk about in-- out in the pasture. So you're out in the pasture and there's no Wi-Fi in all these pastures. And to try to get electronic tags to go through a chute or a, a wide area or enclose them makes no sense. It will not work. It will not work. You-- the technology is high frequency, low frequency. And even all these companies have different high and low technologies on high and low frequencies so this makes no sense. Everybody talks about electronic tags and we've been there. There's a lot of benefits, but we know the downfalls and it will not work and it was very costly. You can put \$1 million every year into it, it won't happen. And I will go through this whole idea and sit down and talk to anybody that wants to talk about because I've got 12 years of experience on every animal that we've had. So questions?

HALLORAN: Thanks, Mr. Adams. Any questions from the committee? Senator Moser.

MOSER: I'm-- just kind of a comment, you know, to kind of feed on what Senator Lathrop said before. It's a little tough to figure out the consensus of where this should go. You know, if I was an attorney and I'm representing somebody and I'm trying to choose a jury, there's nothing I'd love better than to have 12 cattle guys on that jury because I think they'd--

JERRY ADAMS: Explain to me why?

MOSER: I think they'd make a good decision. So you know, I'm hoping that you guys can get together and work something out and, and--

JERRY ADAMS: Can I kind of explain something on this technology? What the Brand Committee has done with technology today, they've taken paperwork and went to a tablet. That works, that does work. Electronic tags for brand identification does not work. But what they've done so far, I think is great.

MOSER: The electronic tags you have, are they an ear tag?

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JERRY ADAMS: They are an ear tag.

MOSER: They make a little slot in your ear, in--

JERRY ADAMS: Correct.

MOSER: --cows or calves' ear? And what about-- do they make injectable RFIDs?

JERRY ADAMS: Not like cats and dogs do. They-- no, but there is a lot of technologies. We've, we've tried a lot of them. We're probably-- what-- we've used electronic tags more than anybody else, probably in the world, on cattle and I'd love-- I love using it in production. It worked for us because that's part of our production system. I can tell you from the day we buy an animal through a grow yard into our lot, through a packing plant, I can tell you every day where that, where that animal is and what has happened; the process and what it fed, what kind of, what kind of injection it had or anything. But it doesn't work for brands. I just cannot believe that we're going down this path. It just doesn't work.

MOSER: So if they're out in the pasture someplace, they might rub up against a tree or something and pull that ear tag out or something and be unidentifiable?

JERRY ADAMS: It is or if somebody wants to steal it, they take it out. What works is a-- ownership; either health papers, brand-- there's a lot of ways to identify an animal. That's why we track animals clear through our system. We don't need-- we don't have anybody checking brands. We pay a lot of money for it. It doesn't help us and that's what we're saying.

MOSER: OK, thank you very much.

HALLORAN: Questions? I have a question, then we'll--

JERRY ADAMS: Oh, excuse me.

HALLORAN: No, you're fine. I asked the question of Mr. Widdowson and I think he answered it clearly to me because I posed it in several ways. And the question was on the grow yards, right? And, and the last part of it I posed was I'm, I'm concerned about whether there's going to be multi-layering of, of inspection fees. What if it comes from an auction house to a grow yard, to a grow yard to a feed yard? And he

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said, no, there would be the one-time inspection to show ownership, like from an auction house or a point of origin.

JERRY ADAMS: So we proposed six questions to the Brand Committee a day or two ago. And David, David Horton sent back the answers and his answers were different than I heard today because most of the, most of the cattle we have, by-- goes into a grow yard and by their rulings, from what we've seen last night, I will be paying \$1.50/head for every animal that comes in our lot from a grow yard the way it's written today. And that was what I heard testified today, but that's what the bill-- that's the way they described it to us last week when we met with them and that's the way it was described on an email last night. So there's a lot of discrepancies. You know, I'm, I'm fine, I'm fine paying that little \$600 fee. That's not the problem. And if we wouldn't have the-- if we're going to be in the branding area and the Brand Commission stuff, why don't we just do the first \$600 and that? Leave the grow yards out, no double deal. We're fine with that. It's just multiple of our lots that really is costly for us.

HALLORAN: OK, we'll clarify that off-mike or otherwise.

JERRY ADAMS: OK.

HALLORAN: Thank you, sir. Any other questions? OK, so we're willing to listen to-- more than happy to listen to a third opponent if there's another opponent, please? Wouldn't want to keep-- wouldn't want me to keep score for Nebraska football. We-- they'd probably be winning a lot more games the way I've been keeping score. Welcome again.

JIM DINKLAGE: Senator Lathrop [SIC], I would ask you to talk a little bit louder. Otherwise, I got to turn my hearing aids up.

HALLORAN: Welcome.

JIM DINKLAGE: Thank you. [LAUGHTER] Good afternoon, Senators. I am Jim Dinklage, J-i-m D-i-n-k-l-a-g-e, representing-- excuse me-- representing Independent Cattlemen of Nebraska and president-- as president and also many cattlemen across the state. I am here today to testify against Senator Brewer's LB1200. I feel more time is needed to study this bill [SIC] contents and suggest changes. I do not agree with renaming the Livestock Brand Act nor the Brand Committee. Section 33(4) should be struck from the bill. It calls for making it legal to use electronic ear tags or electronic buttons as legal means of identifying ownership of the cattle. Using an electronic

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identification system has disadvantage. One, it would be easy for lawbreakers to change identification from one animal to another, whether they are dead or alive. Two, there is an annual cost for the cow-calf operator of purchasing new tags every year for a new calf crop. Three, tags and buttons, and there are a difference, can be torn out, pulled out, and lost. Again, I feel more time is needed for people to the-- study this proposed bill so I leave it to the committee. And as I've heard proponents today about these changes, there definitely needs to be more study because it sounds like the cow-calf gentleman is going to be paying more and the feedlots are going to be paying less and I'm on both sides of that fence. Thank you.

HALLORAN: Thank you, Mr. Dinklage. So if you're on both sides, you're straddling the fence?

JIM DINKLAGE: No. [LAUGHTER]

HALLORAN: Oh, OK. All right, thank you. Do we have any questions from the committee, please?

JIM DINKLAGE: I'd love to answer any questions because I've heard some questions today that I thought I've heard some wrong answers.

HALLORAN: Are there any questions from the committee? Seeing none, thank you for your testimony. All right, proponents? Good evening.

JOHN SCHROEDER: Good afternoon, Chairman Halloran and members of the Agriculture Committee. My name is John Schroeder, J-o-h-n S-c-h-r-o-e-d-e-r. I am the general manager of Darr Feedlot Inc., a registered feedlot in the brand inspection area, and I reside in Cozad, Nebraska. I am a member of Nebraska Cattlemen, but I am here today on my own accord to make supportive comments regarding LB1200. From a registered feedlot perspective, LB1200 addresses some of the concerns myself and other registered feedlots have with the current brand statutes. The proposed changes expand forms of evidence of ownership to include existing and future technologies. This expansion includes technologies many registered feedlots already utilize as part of their current management systems, like electronic ID tags. We have positive experiences adding technology in this industry, like vision cameras being used to call USDA quality grades. That technology has improved quality, consistency, and efficiency while still having USDA grader oversight. Technology is a useful tool in the USDA quality

grade process and I would expect the same for technology for inspection and oversight. The bill also decouples registered feedlot fees from the per-head inspection fee in exchange for an audit fee that reflects the actual activity performed. This shift from the per-head inspection fee to an audit fee will exponentially decrease the fees paid by registered feedlots for animal identification inspection. As an example, our feedlot remits \$39,000 to \$44,500 per year in registered feedlot fees. Under the proposed changes in LB1200, our feedlot will remit roughly about \$6,900/year. In addition to the reduction in annual fees remitted, the bill allows for a registered feedlot utilizing an affiliated grow yard within the livestock identification inspection area to move animals into their registered feedlot without a livestock identification inspection if the cattle have been properly inspected upon entering the grow yard. This change allows registered feedlots to move cattle from affiliated grow yards into their own yards without the need of additional physical inspection. This has been a redundant inspection, an associate cost for the feed yards utilizing grow yards. This is not a new process, as registered feedlots that grow cattle and transfer cattle to another registered feedlot currently do not need physical inspection, only accompanying paperwork. Nebraska Cattlemen policy supports inspection on changes of ownership, but not inspection on movements. This bill is a bill of compromise. This bill is not everything Nebraska Cattlemen members, my shareholders, or myself want. I have been in discussions for years on brand. Most conversations agree on brand registration and brand investigation on being needed. The debate has been and looks to continue to be on the issue of inspection. This is a bill of compromise on those opinions on inspection while giving us opportunities to utilize technology to improve accuracy and efficiency. This bill will not end the debate on brand, but will take us on a positive step forward to gaining on a return on investment in the next decade. Thank you for the opportunity to testify today and I will take any questions.

HALLORAN: Thank you, Mr. Schroeder. Any questions from the committee? Seeing none, very nicely done, thank you. Second proponent? Good evening.

DAVE HORTON: Good evening, senators. Chairman, once again, thank you for this opportunity to testify. My name is Dave Horton, D-a-v-e H-o-r-t-o-n. I am currently the chief investigator and chief of field operations for the Nebraska Brand Committee and I am testifying in favor of LB1200 that updates the committee; bringing and moving it

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forward into the future in name, function, technology, and fee structure, removing antiquated restrictions practices. LB1200 allows the Brand Committee, Livestock Identification Agency to update services provided to the Nebraska livestock industry and to make those services as equitable as possible over all segments of the livestock industry this agency is mandated to provide. By new-- adding new identifiers in technology, the committee will be able to allow and provide producers more options to pick from that coincide and best suits their particular operation, providing enhanced management opportunities and while fulfilling the duties and responsibilities of mandated statute. I'm going to digress from my written testimony a little bit because there is a question that's been brought up about the viability of EID and whether it should be allowed in this bill or not. EID has nothing to do with LB1200. EID, as already in statute in 54-189, is already allowed by the state of Nebraska to be used as a form of-- a means of identification of, of livestock. So whether, you know, the argument to implement EID or not EID-- the only question there is, is allowing the Brand Committee to go ahead and use that form and be able to start the process in order that we might implement that actual change of ownership using that process. The forum is already approved by law, has been for several years. And so that, that is basically a moot, moot point on that particular issue. The Brand Committee was requested to provide a strategic plan that has been completed not only showing future goals and projects, but also financial projections ten years into the future. Some of our detractors refer back to the past audit and did-- that did not have a positive outcome and reveal areas that needed correcting. Those corrections were done. What these detractors fail to mention is that the committee went through another complete audit in 2019 showing great improvement that was good enough not to make any headlines. The audit-- 2019 audit was a good experience for the Brand Committee. And though covering transition time between two separate reporting systems, old and new, few issues were found and those have been quickly corrected. Within the last two months, the committee has had a third-party audit scrutinize the financials, providing a comprehensive financial autopsy and projections. This accounting indicates the stability and viability of the committee. The Brand Committee, working with other partners and stakeholders, developing and implementing electronic reporting system has allowed the committee to get very close, real-time inspection reporting collection, staff time keeping and scheduling, creating efficiencies that will, in time, improve management of all segments that comprise the Brand Committee. LB1200

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also contains upgrades and improvement pertaining to investigative service. These requested changes will change some livestock law provisions into a waivable citation, giving investigators and defendants options that were not available prior. The main goal of the Brand Committee is to modernize, allowing for future advancements in livestock identification, splitting and setting acceptable fee structure caps that will provide the committee with the flexibility to manage and adjust fees that will provide overall equity industry-wide and to keep the committee viable, relevant, and sustainable for the next ten years and far into the future. I would thank you and answer any questions that you may have.

HALLORAN: Thank you, Mr. Horton. Any questions from the committee? Seeing none, thank you.

DAVE HORTON: Thank you.

HALLORAN: Next proponent-- third proponent? Good evening.

BRUCE RIEKER: Good evening, Senator Halloran and members of the committee. My name is Bruce Rieker. It's B-r-u-c-e R-i-e-k-e-r. I'm here on behalf of the Nebraska Farm Bureau testifying in support of LB1200. We're a grassroots organization. Our policy is developed by our members and we have a policy that states we support the work of the Brand Committee and believe the committee should have the fee authority necessary to adequately fund its programs. We also recognize the need for a registered feedlot inspection program and believe an equitable fee structure should be developed to continue the program. We want to thank Senator Brewer for bringing this bill. We'll also thank Senator Stinner for bringing his because this has forced a conversation that needs to take place. I believe Mr. Lapaseotes has left, but-- and I don't want to use his word. I'll just paraphrase what-- something that he said struck with me is when he said, let the two sides work it out. There's a lot of complexity to this and I think we're getting close, but there's still a lot of work that needs to be done and that's what we would ask of the committee. With that, I'll conclude my comments.

HALLORAN: Thank you, Mr. Rieker. Any questions from the committee? Any questions from the committee? Thank you, Mr. Rieker.

BRUCE RIEKER: You bet.

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HALLORAN: All right. That was three proponents. We're going to shift back to opponents and we'll be back to proponents. We're shifting back and forth, so opponents? Good evening.

AL DAVIS: Good evening, Senator Halloran. You've had a long afternoon, I appreciate your time. I'll try to be brief with my points. I am Al Davis, A-l D-a-v-i-s, a rancher from the Hyannis, Nebraska area and former senator for District 43, now living in Lincoln. What I've always said about the brand is it keeps an honest person honest. So I'd like to have you remember that as a phrase. I stand in opposition to both bills, but will direct my attention to LB1200 today. LB1200 makes significant changes to statute law as it relates to the Nebraska Brand Committee and the brand area. I prioritized a fee increase for the Brand Committee in 2015 when the maximum per-head charge was raised to \$1.10. Prior to that, the fee had remained static for nearly ten years, largely because of opposition to fee increases from the registered feedlots. One point I'd like to make that isn't really in my dialog is I think if you ask some of the other western states what their fees are, you'll find out that what the Brand Committee is requesting today is not unheard of in terms of the \$1.50. Still opposed to the bill, but I think it's important that you know that. Because this bill is focused on reform with much attention to feedlots, I thought it was important to look back on history and give some of you a little history about registered feedlots that you might not know. Many of you are probably not aware that the registered feedlot program was put in place in the '70s at the request of feedlots who didn't want to meet the statutory requirements of the existing brand law. There were several significant benefits, which the registered feedlots could access when they voluntarily entered that program and I want to review those for you. Outside the registered feedlots, animals may not be inspected or shipped after dark for obvious reasons. However, registered feedlots are permitted to ship cattle after dark without a visible inspection of the animals. When a physical inspection is conducted on the ranch, the process requires that the animal be run by the inspectors so he can visually look at them. If an animal is covered with mud, it might require clipping the hide of the animal to guarantee ownership. All these events impose stress on the animal, which results in lost weight. And also, there is a risk of death or injury to the animal each time it is inspected, not to mention the time and labor that the operator puts in, with crew that's getting the cattle prepared so they can be examined by the examiner. Also, animals who are in poor condition or sick can be

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easily transported to a slaughter facility from a registered feedlot without requiring the brand inspection so these animals can be salvaged. In short, there are significant benefits to that program. The fee for those registered feedlots is set at the one-time capacity of the lot and I think you heard testimony from Mr. Dinklage that addressed that. So registered feedlots do get a significant break from ordinary ranchers for sale barns with regard to the fees. After all these years, some feedlots want to be free of the fees and they've forgotten that they entered the program voluntarily and did so because they received a break on fees and garnered other significant benefits. You can see from the fiscal note that the, the removal of the registered feedlots will amount to \$950,000. That's a big hole in a budget of \$5.7 million. There are other parts of the bill which troubled me. The bill refers to the use of electronic identification devices as a means of inspection-- implies that the use of EIDs could void the need for physical inspections. I'm just not sure I think that's appropriate. I think there are issues that other folks have addressed parts of that. Finally, the bill introduces the concept of grow yards, which are fenced pastures. One question I had; what happens if cattle-- if animals are coming in from a grow yard that's outside the inspection area? So that's something that needs to be discussed. This bill has not been vetted in the country. It's a big bill. A Brand Committee constituent should be given the opportunity to weigh in on these bills in their own communities and not be obligated to make a trip to Lincoln to testify on a lengthy bill, which was introduced on the last day of bill introduction, which imposes significant changes to the program and is being heard today as ranchers are at the beginning of their calving season. Neither bill should be advanced from the committee and the committee should undertake an interim study and should encourage the Brand Committee to conduct meetings across the brand area to listen to those who will be most affected by the changes. Thank you very much, Senator, and I'd take any questions you might have.

HALLORAN: Thank you, Mr. Davis. Any questions from the committee? Yes, Senator Slama.

SLAMA: Thank you and thank you very much for testifying today. You mentioned the need for an interim study. This committee did conduct an interim study on this exact subject this last summer. How many stops would you recommend across the state be sufficient for us to get a

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grasp on this issue? Because I do think it is something that this committee has dealt with a lot.

AL DAVIS: So I'd have to think a little bit about that. You know, I would, I would say you need to be within an hour and a half of all of the area so you might have to have six or seven. I think the Brand Committee itself could conduct some of these. I have talked to Mr. Widdowson about doing some of that so that constituents have a hand-- a chance to learn what the proposal is and maybe can fine-tune it. You heard some discussion from Mr. Lapaseotes and some of the other people that they thought that was necessary. I just think this bill is just too big a leap at this point without getting some real stakeholder involvement, more than has already been engaged.

SLAMA: OK, thank you.

AL DAVIS: Thank you.

HALLORAN: Thank you, Senator Slama. Any further questions? Seeing none, thank you, sir.

AL DAVIS: Thank you.

HALLORAN: All right. Next opponent, please. Good evening.

JEREMIAH RIEKEN: Good evening. Mr. Chairman, members of the Agriculture Committee, my name is Jeremiah Rieken, spelled J-e-r-e-m-i-a-h R-i-e-k-e-n. I am here today representing Gottsch Cattle Company, testifying in opposition to LB1200. I have worked for Gottsch Cattle Company out of Hastings for 12 years and I have the position of operations manager. I live in Aurora and also run a cow-calf operation with my family in Merrick and Polk Counties. A few key points and I'll be brief; this isn't about us versus them. This is about finding a Nebraska solution for our number one industry. This is about unifying our state. Increasing fees is not a solution. If you support LB1200, you're supporting higher fees on all sectors of agriculture. In my opinion, LB1200 puts an outdated brand inspection program on life support. The brand inspection program puts unneeded fees on us doing business in this state as compared to other states. In 2019, Gottsch Cattle Company paid just under \$50,000 in brand inspection fees on cattle that we already owned. These were cattle placed in grow yards in brand area, moved to our yards, which we have two yards out of the branding area. So that would continue in this bill. We would have to still pay that \$50,000 fee or it would get

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higher if they raised the fees. We also have one yard in the brand area, so we pay the registered fee, fee of \$74,000 last year. So we paid \$125,000 in fees last year for some sort of brand inspection. We own ranches in three other states that do not have brand inspection. We also put out between 20,000 and 30,000 cattle on grass and in backgrounding lots in these other states in addition to the ranches that we own. We have never had an issue working with our neighbors to recover cattle when they become commingled. That is also the way we try and handle it here in Nebraska. We'd rather work with our neighbors to get our cattle back than work with a brand inspector. Those other states, such as Kansas and Texas, have departments that will investigate if needed, but we've never had to use them in the past. The other factor that-- is having to plan shipments around a brand inspector. That is not always best for the cattle. We've got to remember that; what's best for the cattle. Waiting on brand inspectors, cattle can lose pounds, which translates directly to dollars lost for everybody involved. We had a deal last week. We called for a brand inspector a week ahead of time; yes, we'll be there. Three days ahead of time, they called and said, no, we can't be there. We will inspect them at the feed yard. That's another time those cattle have to be handled and costs us money every time we do that. The other thing is I think if the cattle could vote, they wouldn't vote for brand inspection. I don't think any cattle that I've ever seen likes a brand being put on him, not one. We've seen it, they don't really enjoy it. We all-- we appreciate Senator Brewer's willingness to take on a tough issue, but we also want all of you to know that LB1200 is not the right solution. I am proud of this industry. It is exciting to be involved in watching technology change before our eyes and to work for a company that is nimble, responsive, and able to compete. We understand what is happening globally and we want to help ensure we get this right. Thank you for the opportunity. I encourage you to vote against higher fees and oppose LB1200. It is my understanding that these fee increases are just being presented publicly today. I expect there will be some upset producers when they learn the full impact. I'd be happy to answer any questions.

HALLORAN: Thank you, Mr. Rieken.

JEREMIAH RIEKEN: Ree-ken [PHONETIC].

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HALLORAN: Thank you, Mr. Rieken. Any questions from the committee? Seeing none, thank you, sir. All right, one more opponent; number three. Good evening.

ROLAND PADDOCK: Good evening. Thank you, senators. My name is Roland Paddock. I'm a rancher from Brown County on the board of ICON, but I'm just going to-- there have been some great points made here today.

HALLORAN: Spell your name, please.

ROLAND PADDOCK: Excuse me, R-o-l-a-n-d P-a-d-d-o-c-k. This is a very complex issue. We've heard both sides. I think this bill is premature to take up the time of this short session. Now I've got some other points that I'd like to make here, just a little bit different than other people said. Equality before the law. However, that's really not possible in a lot of situations. In the town I live in, we have a garbage fee. The little lady that lives next to me puts maybe a half a bag out a week. The neighbor that's got six kids down the street puts out five bags a week. Different services, but they're paying the same fee. You register a car. You register a 1965 Tempest and you register a new Cadillac Escalade, you pay the same registration fee. Is that fair? One car might drive 60,000 miles/year. That little old lady that drives a car might drive 5,000 miles/year. They state-- they pay the same fee. We own cattle and it's a cost of doing business. It's an insurance policy for that brand inspection. Brand inspection is important. It's brought cattle back to me. It's helped me take cattle back to my neighbor. I think it's a very important deal. This bill, LB1200, would weaken that bill and I think be a death note to it by eliminating the fees it can receive to support itself. So in this short session where you've got major tax issues to consider, I think this is a bill that needs to stay in committee, further study [SIC], and put your time on other issues. Thank you.

HALLORAN: Thank you, Mr. Paddock. Are there any questions from the committee? Seeing none, thank you, sir. All right, back to proponents.

MICHAEL JACOBSON: My name is Michael Jacobson. I'm from Gordon, Nebraska.

HALLORAN: Spell your name, spell your name, please.

MICHAEL JACOBSON: I'm Michael, M-i-c-h-a-e-l J-a-c-o-b-s-o-n, and I am the fifth-generation that's been raising cattle up by Gordon. My people came out here and hosted it in the 1800s-- excuse me-- and I

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had a stroke and so the cattle didn't get branded like they should have been for 30 years, so now I've got one hell of a mess. I'm down here-- I guess the library-- the Love Library the most. So I have to file a lawsuit so I could get all-- everything back to where it should be. So what I'm saying is that you have to brand these cattle there, put in ear tags. And most of the, the men that see what cattle go with what people and you bring them to the sale barn are familiar with them. They've been with them for 20 years. So there's really not a problem there. And it's, it's so important. I mean \$1, \$1.50, you could take it higher than that if you want to. The hell I'm-- have to go through now to get this straightened out because those damn cattle were not branded like they should have been-- and so all I'm saying is that I'm behind this bill and I hope that people will learn from my mistakes. And I'll quit bothering you and get the hell out of your away, OK?

[LAUGHTER]

HALLORAN: You're not bothering us, sir. Are there any questions from the committee? OK--

MICHAEL JACOBSON: OK.

HALLORAN: Seeing none, thank you for your--

MICHAEL JACOBSON: Thank you.

HALLORAN: Any additional proponents? Any additional proponents? Seeing none, are there additional opponents? Good evening again.

SCOTT EISENHAUER: Good evening again, Mr. Chairman and members of the Agriculture. My name is Scott Eisenhauer, S-c-o-t-t E-i-s-e-n-h-a-u-e-r. I've already given you my whole spiel, so I'm opposed to LB1200. Just by listening to some of the comments, everybody talks about the fees. I guess being a rancher and being an operator, I'm not as concerned with the fees as the fact that the Brand Committee costs \$6 million to run and brings in \$600,000 of income. That's a 10:1 ratio. If I went to the banker with a 10:1 ratio, he wouldn't let me operate. And where I come to the 600,000; that's how many cattle estrays they found in, in '18 and '19. I had that in my last one. So when it comes down to us, you know, I'm from the Cattlemen's-- couple ladies from the Cattlemen's-- you know, this is something that we're going to have to work out and really work on. I don't-- I'm kind of like the rest of them. I don't know how much

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this can go on from here, being this close. So thank you for your time and I'd take any questions.

HALLORAN: OK, thank you. Thank you much for your testimony. Are there any questions? Senator Brandt.

BRANDT: Thank you, Chairman Halloran. Thank you, Mr. Eisenhower, for testifying today. When we go back to all the sheriffs that were lined up here, do you believe there will be an added cost to the counties if we get rid of the Brand Commission?

SCOTT EISENHAUER: So I'm really good friends with our sheriff and I don't think so because like I said-- and I was kind of split-- so we already have-- we're already half or a third out-- a third in. There are no extra calls between western Knox County and eastern Knox County. I can guarantee you 99.9 percent of the people in Knox County are honest and anybody is going to do-- I mean, you're going to do what's best. I mean, every-- there's very few neighbors. I mean the, the thought of actual theft? I mean, we don't see it. So I'm sure it happens, but I don't think it'll be that much-- it will be an increase, but I don't think it will be very much.

BRANDT: All right, thank you.

HALLORAN: Thank you, Senator Brandt. Any additional questions? No? Seeing none--

SCOTT EISENHAUER: Thank you.

HALLORAN: Thank you so much for your testimony. Any additional opponents? Good evening.

RICHARD EISENHAUER: Thank you, Chairman and Ag Committee. Richard Eisenhower, R-i-c-h-a-r-d E-i-s-e-n-h-a-u-e-r. I guess dad is just going to add a little bit to what my son got done saying. I'm not familiar with LB1200, so my comments are going to be more general as before. You've already got what I had in writing from my first testimony. I think the whole issue is equality. You address the fact as how come people in eastern Nebraska are not wanting to get into the Brand Committee? Excuse me-- 35 or 40 years ago, Senator Hefner introduced a bill, his priority bill, to get some townships in Knox County out of the brand inspection area. I was down here testifying for that and we were successful. I don't know of any times when people were coming to testify to get into the brand inspection area. As far

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as the recovery of animals, you know, we're in a situation like my son Scott said, to where, you know, we work together. And there are dishonest people, but this is not going to solve the situation because we live 20 miles from Yankton, South Dakota and it's very easy. If we want to be dishonest, we just hold them up in a trailer. And unless we're stopped by the highway patrol, there's nothing to stop theft there. Brand-- the brand is a necessary part of the livestock industry, but it should be voluntary. It should not be-- it should be equal to all people. Thank you.

HALLORAN: Thank you, Mr. Eisenhauer. Any questions from the committee? Senator Lathrop.

LATHROP: Yes, so there's been a-- some people have come up like you did just now and talk about how this should be voluntary. If I'm-- again, not a-- I'm a city guy, but if I owned a bunch of cattle and I had the brand inspection guy come out because I'm part of a voluntary program or I'm going to do this voluntarily, all I'm doing is having somebody go through my pen to see if the neighbor's cattle are in there.

RICHARD EISENHAUER: Excuse me. I guess what I see-- voluntary is livestock auctions would, would select themselves whether they want to participate in the brand inspection program or not. And then the producers would have the option of whether they wanted to sell their cattle at that livestock auction or if they wanted to, to take them to, to a different livestock auction. Because as I testified earlier, Creighton Livestock is two miles to the south. There's no brand inspection. And nine miles to the east, there's no brand inspection. That affects their business tremendously because there's a lot of good auction markets in northeast Nebraska that people have the option to go to. And if they do not want to participate, have their cattle subject to brand inspection, hauled into the brand inspection area so that it can be brand inspected, they're going to choose to go someplace else.

LATHROP: OK, thank you.

HALLORAN: Thank you, Senator Lathrop. Any other questions from the committee? Seeing none, thank you, sir. Any additional opponents? Opponents? Yeah? Oh, welcome. Welcome again.

DON CAIN: Yes, sir. My time started?

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HALLORAN: We're ready.

DON CAIN: OK, I am Dr. Don Cain, D-o-n C-a-i-n, and that's an easy name to spell also. I'm here to speak to you today as a veterinarian; one with decades of experience with EID. And I want to echo the comments that were made earlier in testimony about EID elevated equal to or above brand for ownership will not work. It could, could confirm the Peter Principle in ownership and I don't think we want to do that. We've worked with it in many ways and in a production system where it's controlled, you can garner a huge amount of information and make huge strides in production. But when you start-- limit it to individual animal ownership, each failure is a huge failure. Whereas in a production system, you, you can allow for certain failures. I've worked with salmon operations that can monitor essentially all the salmon going up a stream at one time. I didn't say all, I said essentially all. And if you take that "essentially" out and put it into ownership, then you have a problem. So I just wanted you to know that of the two people in this room with the most experience on EID, we're in agreement. Thank you.

HALLORAN: OK, thank you, Dr. Cain. Any questions from the committee? Seeing none, thank you so much. So number three? Welcome again.

JOHN SENNETT: Thank you. Senator Halloran and senators, I will be brief that-- I can never think of very much to talk about usually, so this won't take very long. My name is John Sennett, J-o-h-n S-e-n-n-e-t-t. There are a couple of points I'd like to make and then I would like to make a suggestion. The first point is that LB1200 was to my-- so far as I can tell, put together very rapidly and very quickly in response to Senator Stinner's bill. I've spent a lifetime reading and writing and speak-- and trying to speak the King's English. When you read LB1200, what it says is different than what has been testified to here today. I'm not saying that's intentional. I'm just saying that words mean what they mean. And on-- a primary example of that is in the grow yard. One of the parts of a grow yard to qualify says that the cattle will be brand inspected, into or [INAUDIBLE]-- brand inspected at the grow yard, which is different than how it was represented to you. This-- and the second point I want to make is in response to your comments about why would you want to be over there? The handout that I gave you-- and I appreciate John Widdowson and, and the committee-- I proposed six questions as to when cattle would be inspected under certain circumstances. Those six questions, they were kind enough to answer. I got the answers last

night. Those questions tell you that there are all-- a number of ways that cattle are moved through the system of a calf to a finished animal. The people in the eastern part of the state that are not in the brand inspection area do not have to have that road map because they don't have any inspections, period; doesn't matter where the cattle go or how they go, they don't have it. That's one of the major reasons that people don't want brand inspections to be in the eastern end of the state because that process is extremely difficult-- not difficult, it's just part of the system. And being part of this system tells you that, that the registered feedlots not only are going to be paying, under the, the LB1200, the \$600 audit fee, which is not a big deal, it is going to be paying for all these inspections that they have to have depending on where it goes. My time is almost up and I would like to propose something to you. Everyone here, Senator Stinner included, have talked about the fact that something needs to be done. I would suggest to you that we would not be having these hearings and we would not be having-- we would not have had LB1200 even presented had not Senator Stinner presented what he did, which forced everybody to come, you know, take on the issue. I'm very concerned that what will happen here with an interim study-- and I think an interim study is, is, is a good idea, but if there is no stick to make everybody work on this thing like Senator Stinner's stick, LB1165, then there is no energy to make any modifications. So my-- and I know I'm out of time, but my suggestion would be that one way to handle this would be to pass Senator Stinner's bill, provide in the bill that it would not take effect for one year. Nothing would happen with the Brand Committee. They would keep right on with their work. They would have a year then to, number one, approve-- or excuse me, prove that they are fiscally responsible, that the, the bills are being paid and they don't have to increase the fees. They'd have time to do that and there would be time for all of the players here and elsewhere to get together and try to come up with something that would be-- not shoved together in five minutes. That would be the stick, but if you don't have that stick, it's a problem. I apologize, Senator.

HALLORAN: That's fine. Thank you, Mr. Sennett. Any questions from the committee? Seeing none, I appreciate your testimony.

JOHN SENNETT: Thank you.

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HALLORAN: We're back to proponents. Last call for proponents? We're back to opponents. Are there any opponents? Back to-- good evening, Mr. Hansen.

JOHN HANSEN: Chairman Halloran and members of the committee, for the record, my name is John Hansen, J-o-h-n H-a-n-s-e-n. I'm still the president of Nebraska Farmers Union. I want to thank the Brand Committee for all the work that they have done on-- their effort here. I'd like to thank Senator Brewer for having the, the courage to grab the flag during a, a fair amount of heavy incoming artillery and try to come up with a solution and, and move this forward. This is always contentious work and we are-- we find ourselves in, in agreement that there is a need to do something. There is a need to work out a more fair and equitable way to pay for the cost of what we believe is a significant benefit. And I would just like to associate my comments with some of the background that, that former Senator Al Davis brought forward. But there was also, in the discussions and the history of all of this, not just the, the financial part of, of making the system whole, but part of the reason for the feedlots inclusion was, was both financial, but it was also to not create dark spots and holes where animals can be unloaded. And so if you have a, a free zone in the middle of a secure area and you're in the business of borrowing somebody else's livestock and, and not paying for them, you have to have someplace to be able to sell. And so feedlots that are not covered in that area have and could be used in that way. And so in terms of just making sure that the entire system works and it isn't going back to the system approach, there was a logic for including feedlots. And so as we look at this compromise, it seems to me that the, that the compromise that's in LB1200 is that despite the efforts that have been made in the past, which we have supported in order to be able to simplify the system for feedlots and to reduce their total amount of costs, that the more that they have gotten preferential treatment, the more that they want. And so there's a significant shift in the, in the cost of this system. It will be higher fees for cow-calf folks. It will be lower fees for feedlots. And as I look at the industry as a whole, the folks who are, who are-- who own the cattle the longest, who take the most risk and make the least amount of money are the cow-calf guys. And so I would also just end my remarks by saying that I appreciate the process that's been here, but I again say what I said in the first bill and that is that my organization and other organizations that represent agriculture and represent livestock interests have not been included in these

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discussions and this set of negotiations. So I'm not real quick to sign off on negotiations I wasn't included in. Thank you.

HALLORAN: Thank you, Mr. Hansen. For the sake of clarity-- and, and part of it may be the confusion of going back and forth between proponent and opponent. For the sake of clarity for the transcribers, would you tell us, are you a proponent or an opponent?

JOHN HANSEN: I am just pretty much mostly an opponent--

HALLORAN: OK.

JOHN HANSEN: --appreciative of the problem.

HALLORAN: All right, thank you. Any questions for Mr. Hansen?

JOHN HANSEN: I just think it beats the pants off being neutral opposed or neutral in favor.

HALLORAN: Opposed to being neutral as well, thank you.

JOHN HANSEN: Thank you very much.

HALLORAN: All right, last call for proponents. Last call for opponents. Anyone in a neutral position? Good evening.

MAXSON IRSIK: Good evening. I find myself as the accountant in before dinner so I'm going to be brief with all of you. My name is Maxson Irsik. That is M-a-x-s-o-n I-r-s-i-k and I'm a licensed CPA in the state of Kansas. I'm a manager and the beef market champion with the public accounting firm K-Coe Isom. I have worked with staff and committee members of the Nebraska Brand Committee over the past two months on enterprise accounting. The individuals interacted with have been progressive and clearly focused on developing enterprise accounting systems and methodology for improving opportunities to assist in the future success of the Nebraska Brand Committee. The objective was that K-Coe Isom was engaged with the Nebraska Brand Committee to provide independent analysis in order to tie all associated expenses to the proper revenue streams. This analysis provides a basis for the Nebraska Brand Committee to ensure all revenue streams are self-sustaining and certain revenue streams are not supporting unprofitable segments within the organization. In broad language, the method used was we used the NBC 2017-2019 annual reports and supporting documentation, revenue, and expenses were split into

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three categories: inspections, RFL audits, and branding. Additional expenses, including administrative overhead investigative expenses, were then allocated by management assumptions to each of the categories to determine a fully-burdened cost for each service. Using fiscal year 2019 as a base year plus a PSL adjustment for all departments to be fully staffed, projections were established based on three-year average headcounts, management estimates, and a new NBC-prepared fee schedule. As previously stated by Mr. Widdowson, mileage was not included when calculating average cost per head and was modeled to be reimbursed at federal rates. Additional detail, just if you wanted to, for each of the different line items, we would break the revenue into three categories: inspection, registered feedlot audits, and branding. Initially, inspections-- initially, expenses were allocated to inspections, which included RFL audits and branding. Overhead administrative investigative expenses were then allocated to each of the revenue categories based on management-defined assumptions. Expenses for all categories were projected using the 2019 fiscal year annual reports plus the adjustment to make sure that all departments are fully staffed. In specific areas, inspections, and RFL audits, the inspections, we were able to directly allocate the salary expenses related to RFL audits. All remaining salary expenses are allocated to inspections. Operating expenses allocated between the audits and inspections on a per-head inspected basis, with the exception of the mileage fees and then going forward, mileage fees are modeled to be reimbursed so they're, they're zero, zero effect. The RFL specifically, the revenue is projected based on the anticipated number of audits provided by management as well as the management's new fee and service schedule. And the expenses were projected using the 2019 cost per head and then it's multiplied by the three-year average of the total head. Inspections for-- after all inspection expense allocations are made, expenses were calculated on a per-head basis. 2019 cost per head was used for expense projections. Revenue and expenses were projected using a three-year average of total head for fiscal year '17-'19 multiplied by an updated fee schedule provided by management. Branding is the allocated portion of overhead, administrative, and investigate expenses-- were, were added to the direct expenses already associated with branding. In the bottom of your handout, you'll see, kind of, a, a more specific summary about each category. It's a little easier for you to, to read and refer to. The result was that the K-Coe developed a break-even analysis tool that NBC, NBC management could use to forecast anticipated costs and develop a fee schedule to ensure that each business segment is

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covering its share of expenditures for years to come. Based on the cap rates submitted by NBC and assuming expenses grew at the compound annual growth rate of 2 percent, the cap rate should be sustainable for the next seven to ten years. And I'm open for your questions.

HALLORAN: Thank you, sir. Are there any questions from the committee? Seeing none, thanks for your testimony.

MAXSON IRSIK: Thank you.

HALLORAN: All right, any further neutral position? Seeing none, seeing none, Senator Brewer, you're welcome to close.

BREWER: I have some prepared remarks that I'm not going to use. I think John Hansen probably made me realize that the, the taking on of this bill reminded me a lot of an experience I had in 2010. I was asked to lead a convoy along a route called Hyena Road, which arrived in Kandahar. It seemed like an easy mission; 75 miles, a dozen trucks, what could go wrong? Six IEDs later and almost eight hours, we arrived there somewhat battered. I would gladly drive Hyena Road again before I would do this.

[LAUGHTER]

BREWER: With that said, I found out through this process that there are disagreements. That is an understatement. There are almost blood feuds over the very thing that we have spent hours talking about here. It will be difficult to get everyone to agree. I, I think it will be just about as difficult as it will be for us to come up with a solution tomorrow morning for property tax relief. This is not the perfect bill, although I still believe in my heart of hearts that LB1165 and doing away with it isn't the right answer. There are a couple of jobs in Nebraska I would not want. I wouldn't want to be the director of the Department of Corrections and I wouldn't want to have John-- John's job with the Brand Commission because they are, in ways, very similar. You're going to work as hard as you can work and there's going to be a lot of negativity to what you're doing. And there may not be any easy solutions, but we got to figure out how to fix this. And LB1200 is a method to do that. Now with everything said today, I think it's obvious that we, we could have done it different. But if you remember right, last Tuesday, we, we had a get-together at noon to be able to answer questions. The bill has been out there for most of a month now. You know, it wasn't until last Thursday evening that

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someone unleashed the dogs of hell on me and entertained my weekend of, of phone calls, emails, and text messages. So are there things you need to fix with the bill? Yes. And, and I'm open for amendments to try and do that. But if, if the committee decides that there is no good solution with LB1165 or LB1200, we have to figure out what right looks like because that's ultimately the only way we're going to get this thing is, is to bring the players together and, and come up with an honest solution that is going to get as close to the right answers we're ever going to get with this subject. With that, I am open for questions.

HALLORAN: Are there any questions for the beleaguered colonel?

[LAUGHTER]

HALLORAN: All right, thank you, Senator. Letters of support to be read into the transcript from the International Livestock Identification Association and also a letter of support from the Nebraska State Grange. That concludes, everyone, the day's testimony for LB1200 and today's Ag Committee hearing. Thank you much.